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RV CONSUMER

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Introduction

Sales of recreational vehicles during 1988 rose to their highest level during the current expansion, achieving the best sales record in ten years. That certainly is good news for the industry. Nonetheless, even at their decade best, unit sales in 1988 were about 100 thousand units less than in 1978. At the start of this expansion I certainly expected that unit sales of RVs would reach if not exceed their prior peak levels. What happened?

Let me first make it clear that the RV market is now strong and can be expected to remain so. The outlook for the national economy remains favorable, extending the current expansion into a record seventh year. To be sure, there are some troublesome aspects of recent developments in the economy that will impact RV sales, in particular increases in interest rates. Overall, however, the outlook for RV sales remains favorable.

Given that we can expect sales to be maintained at favorable levels during the year ahead, the central issue I want to address today concerns longer term trends. Namely, why wasn't the growth in the RV market during the current expansion even better than we experienced. To address this issue, I will first review data on household ownership trends, and then turn to several issues related to consumer demand, especially perceptions of RV prices and value. These data, as is most of the data that I will present today, were collected by the Survey Research Center at the University of Michigan for the Recreational Vehicle Industry Association. Mac Bryan, Jim Sheldon, and the members of the Marketing Committee, initiated and guided the development of this study.

RV Ownership

As of mid 1988, one of every ten vehicle owning families in the U.S. owned a recreational vehicle. This ownership rate was largely unchanged from the 1984 figure, but substantially above the one-in-twelve ownership rate recorded in 1980 (Chart 1). Since ownership rates are percentages of the vehicle owning population, the actual number of households that own RVs has grown along with the absolute number of households. From 1980 to 1988, the number of households that own RVs grew by nearly two million, to a total of 7.74 million (Chart 2). Even from 1984 to 1988, when ownership rates dipped slightly, the growth in the number of owner households has averaged about 100,000 per year.

Nearly the entire increase in RV ownership rates occurred in van conversions (Chart 3). In 1988, 2.8% of the vehicle owning households in the U.S. owned an RV van, up from 1.9% in 1984 and 1.4% in 1980. At the other extreme, the largest sustained losses occurred in ownership of slide-in truck campers, which fell to 1.3% in 1988, from 1.5% in 1984 and 1.8% in 1980. Both of these shifts reflect

the larger ongoing change in the type and size of the vehicles owned by U.S. households.

Since 1980, the number of households that own vans, pickups, and sports utility vehicles has grown substantially. In 1987, 39 percent of all U.S. households owned a truck, up from 29 percent five years earlier, and just 17 percent 20 years earlier (Chart 4). This growth has been especially strong for compact vans and pickups. RV van conversions as well as regular vans have benefited from this trend. As I will indicate later in this presentation, a substantial portion of the growing number of "regular" van owners use their vehicles for recreational purposes. The rising popularity of compact pickups have limited the market for slide-in truck campers, and more generally, for recreational vehicles as traditionally defined.

The share of American households owning motor homes has remained largely unchanged over the past eight years, rising from 1.2% in 1980 to 1.3% in 1988, accounting for a net increase of about 200,000 households. The ownership of travel trailers posted a slightly higher growth, moving from 3.0% in 1980 to 3.3% in 1988, amounting to a net addition of about 500,000 households. Ownership of fold-down camping trailers posted somewhat greater growth than conventional and fifth-wheel trailers, rising from 1.2% in 1980 to 1.8% in 1988, yielding a net addition of about 600,000 households over this period.

Industry Sales

The survey data on household ownership rates is clearly reflected in industry sales data. Although RV sales posted a strong and early recovery from the recessions of the early 1980s, overall sales rates have remained relatively flat since 1984. After suffering a loss of 40 thousand units in 1985, it should be noted that deliveries have consistently inched upward by about 20 thousand units in each of the past three years.

As shown in Chart 5, during most of the current expansion RV sales have hovered around the average rate recorded during the past 20 years. Strikingly, the current expansion was accompanied by a peak sales rates that was much below the peaks recorded in the expansions of the 1970s. In 1972, the best year on record, RV deliveries totaled just under 583 thousand units; in 1976, the second best year on record, unit sales totaled just over 541 thousand, or about 40 thousand units below the 1972 peak. In 1988, the best year thus far in the current expansion, deliveries totaled just over 427 thousand, or about 114 thousand units lower than the 1976 peak and 156 thousand units lower than the 1972 peak.

These data also indicate some positive developments. Over the past five years sales have remained at the long term average rate, meaning the industry has done no better or worse on average than in the past. Importantly, this has been accomplished without the accompanying instability of the boom-bust cycles typical of the past. Moreover, even the monthly variations in RV deliveries have narrowed, indicating greater stability on a month-to-month basis as well (Chart 6). This is certainly a sign of a more mature and established industry.

The sales data indicate that approximately 400 thousand RV have been added to the stock of RV in each year of the current expansion. The household data, however, only indicated the addition of about 100 thousand RV households per year. Why the difference? Of course not all RVs are purchased by private households for personal use, nor are all purchased by residents of the continental U.S., both requirements to included in the survey data. More importantly, the RV delivery data represent gross additions to the stock of RVs, while the household data represent the net stock of RVs. The net stock is the difference between the addition of new RVs and the subtractions of older RVs taken out of service.

While there are no reliable data available on the yearly scrappage rate of RVs, it is likely that most of the RVs produced in the 1960s and many of those produced in the early 1970s are no longer in service. If, for example, the average useable lifetime of an RV is 15 years, this would imply that the average RV produced before the mid 1970s would no longer be in service. Of course, different types of RVs have different average life spans, and some RVs of each type are kept in use longer than average, others less.

To get an idea of the impact on the accumulated net stock of RVs, I have plotted RV sales in the "first" nine years of the available industry sales data--from 1965 to 1973--and the "last" nine years--from 1980 to 1988. As shown in Chart 7, the monthly unit sales in the first six years of these two periods were remarkably close, meaning that from 1980 to 1985 unit sales just matched the unit sales of the same period 15 years earlier. Thus, over this time period the additions to the RV stock were likely to be offset by the retirement of older RVs, yielding no net increase in the stock of RVs. Moreover, the boom in sales in the early 1970s was not matched by sales rates in the mid to late 1980s, indicating that more RVs were likely to be retired from service than added to the stock.

Also note that in contrast to the sharp decline in sales which accompanied the oil embargo at the end of the earlier period, no such decline occurred in the latter period. This would indicate that during the next few years the new additions to the outstanding stock of RVs will exceed the subtractions, yielding greater increases in the total stock of RVs.

In short, the answer to the question of why in the late 1980s the overall household ownership rate of RVs increase by only a fraction of the number of new units sold is because of the much higher number of units sold in the early 1970s that were retired from service.

Industry data on RV sales by type of vehicle also mirrors the survey results. As shown in Chart 8, the proportionate share of sales going to van conversions has increased sharply, while the shares of all other types have fallen. In 1976, the first year for which data on all the different types of RVs are available, the proportion of the total represented by motorhomes was 29 percent; in 1988 this proportion had dropped to 17 percent. For travel trailers, the 1976 share of total sales was 35 percent; in 1988 the share had fallen to 23 percent. Slide-in truck campers fell from an 8 percent share in 1976 to just 3 percent in 1988. The share of total RV deliveries represented by folding-camping trailers was the same in 1976 and 1988--10 percent. In contrast, the share of total RVs represented by van conversions more than double, rising from 18 percent in 1976 to 47 percent in 1988.

Demographics of Ownership Change

The gains in overall RV ownership from 1980 to 1988 were not evenly distributed across population subgroups.

Age Subgroups. The growth in ownership was greatest among householders aged 55 or older (Chart 9). Over the eight year period, the RV ownership rate among householders aged 55 or older grew by just over 50%, increasing from 7.9 percent in 1980 to 9.9 percent in 1984 and 12.4 percent in 1988. For those under age 35, the ownership rate remained largely unchanged during the past eight years, falling slightly from 6.3 percent in 1980 to 5.7 percent in 1984 and then rising slightly to 5.9 percent in 1988. There was somewhat greater shifts in ownership among those aged 35 to 54, but the overall trend was also other flat: RV ownership rose from 11.1 percent in 1980 to 14.1 percent in 1984, but then retreated to 10.7 percent in 1988. Overall, these results indicate that the typical RV owner was somewhat older in 1988 than in prior years.

The growth in RV ownership among those aged 55 or older was strong across all types of RVs. For those aged 35 to 54, growth in ownership of motorhomes and van conversions was offset by declines in ownership of travel and fifth-wheel trailers, folding-camping trailers and slide-in truck campers.

Income Subgroups. Reflecting the growth in ownership among older householders, who are more likely to be retired, ownership increases were somewhat higher among households with below median incomes, although families with above median incomes were still more likely to own RVs (Chart 10). For families with below median incomes, RV ownership rates rose from 7.1 percent in 1980 to 7.9 percent in 1984 and 8.3 percent in 1988. Among families with above median incomes, the RV ownership rate rose from 11.2 in 1980 to 12.4 in 1984 and then slipped back to 10.8 percent in 1988.

Among families with below median incomes, the growth in RV ownership was mostly concentrated in motorhomes and van conversions.

Regions. Among the four major census regions, residents of the West still recorded the highest RV ownership rate, although it was somewhat lower than in the prior survey (Chart 11). Among residents of the Western region, 15.0 percent owned an RV in 1988, down from 16.9 percent in 1984 but above the 13.1 percent in 1980. Residents of the North Central region, although they had a lower level of ownership, posted gains in each of the surveys. Among families in the North Central region, the ownership rate rose from 8.2 percent in 1980 to 9.8 percent in 1984 and 10.8 percent in 1988. Ownership of RVs among residents of the Southern region, after falling slightly from 7.4 percent in 1980 to 6.6 percent in 1984, more than recovered this loss by posted a 7.9 percent ownership rate in 1988. The largest recent loss occurred among residents of the Northeast, where the ownership rate fell to 5.4 percent in 1988 following the strong rise to 8.4 percent in 1984 from the 4.7 percent recorded in 1980.

Among residents of the Western region, the growth in ownership from 1980 to 1988 was concentrated in travel and fifth-wheel trailers, followed by folding camping trailers and slide-in truck campers. No net growth was recorded in the ownership of motorhomes and van conversions in the Western region from 1980 to 1988. The growth in ownership among resident of the North Central regions was across all types of RVs, although it was higher for motorhomes and van conversions.

Income and Demographic Shifts

To be sure, the lackluster growth in household incomes during the 1980s has played a major part in holding down growth in sales. Only recently has the level of household incomes in real terms regained the levels reached in the 1970s (Chart 12). Moreover, the loss of high wage manufacturing jobs during the 1980s has had an important impact, since RV purchases among these high wage blue collar workers have always been a mainstay of the market.

In addition, changes in the age structure of the population during the late 1980s have also had an adverse impact on RV sales. Before the "baby boom" of the 1950s there was a "baby bust" in the 1930s. The lower birth rates of the 1930s, has meant that during the 1980s the number of people in their fifties has shrunk (Charts 13 and 14). These demographic factors will shift to the advantage of the RV market during the decade ahead (Chart 15 and 16). The aging "baby boom" population will result in much higher growth rates in the prime buying age groups, and incomes will benefit from the higher proportions of the population in their peak earning years. These factors will create the potential for renewed vigorous growth. Turning this potential into actual sales growth is the crucial task ahead.

New and Used Purchases

The 1988 survey included data on whether the households bought their RV as a new vehicle or a previously owned vehicle. The results indicate that, on average, 34 percent of all current RV owners bought a new vehicle.

RV Type. Among motorhome owners, 37 percent bought their RV new, just below the 40 percent of owners of van conversions that bought their vehicle new (Chart 17). Among owners of travel and fifth-wheel trailers, 35 percent bought their RV new. For owners of slide-in truck campers, 34 percent bought their vehicle new. The lowest proportion of new purchases was among owners of folding camping trailers, where 25 percent purchased their RV new.

The 34 percent of all owners that purchased their RVs new in the 1988 survey was below the level recorded in 1980, when 40 percent purchased their RV new. Each type of RV was less frequently reported as being purchased new in the 1988 than in 1980 (Chart 18). Most of the declines were rather small, except for new purchases of travel and fifth-wheel trailers, falling from 43 to 34 percent, and folding camping trailers, falling from 40 to 25 percent.

Age Subgroups. Not only were householders aged 55 or older the most likely to own an RV in 1988, they were also much more likely have bought their RV new (Chart 19). Approximately half of all RV owners aged 55 or older bought their RV new. In contrast, many fewer owners who were under age 55 bought their RV new. Among those 35 to 54, only one in five bought their RV new. Moreover, while the overall ownership rate among those aged 35 to 54 was higher than for those under age 35, the entire increase was accounted for by purchases of used vehicles. Thus, it would appear that as ownership increases along with age, the initial growth is concentrated in purchase of used vehicles, and only later is their a significant shift toward new vehicles.

Income Subgroups. As family income rose, the proportion of families that purchased new vehicles remained relatively unchanged until the highest income levels were reached (Chart 20). Only for highest income group, families with incomes of $50,000 or more, were purchases of new RVs outnumber used purchases. As family incomes increased toward $35,000, the growth in ownership was entirely concentrated in more frequent purchases of used RVs. In contrast, as incomes rose above the $35,000 level, new RV purchases increased in frequency, but not enough to offset the declines in used RV purchases. Thus the small overall declines in RV ownership rates at the higher income levels are due to falling purchases of used RVs.

Educational Subgroups. Householders with a high school diploma were both the most likely to own an RV and more frequently purchased their RV new (Chart 21). While the overall ownership rate of RVs declines with increasing education, the purchase of used RVs declined by more than new RVs.

Regions. Not surprisingly, residents of the Western region more frequently owned RVs and more frequently bought their RV new (Chart 22). Compared with the North Central region, the higher ownership rate in the West was nearly entirely concentrated in purchases of new RVs. In contrast, most of the differences in ownership rates among between residents of the North Central, Southern, and Northeast regions were accounted for by differences in purchases of used RVs.

Value of New and Used RVs

That the majority of owners purchased their RV used is certainly not a new finding, but one that has been repeated documented in these surveys. Given this, the 1988 survey included a question on

the perceived value of new versus used RVs. Among all families, 32 percent thought that new RVs gave more value for the dollar compared with used RVs. Used RVs were thought to give more value for the dollar by 44 percent of all families. In the middle, 18 percent thought that new RVs gave neither more nor less value for the dollar than used RVs, but thought they gave about the same value for the money (Chart 23). To be sure, this middle group can be interpreted as holding favorable predispositions toward purchases of new vehicles, yielding a total of 50 percent of all families that thought new RVs gave as much or more value for the dollar compared with used RVs. This swing group can equally be interpreted as giving the edge to used vehicles. In the analysis that follows, I have omitted the middle group so as to focus more sharply on the differences in opinions on this assessment.

RV Ownership. RV ownership status had a strong relationship to these perceptions (Chart 24). Owners that purchase their RV new and non-owners that intended to purchase a new vehicle were the only two subgroups that more frequently though new RVs gave more value for the dollar than used RVs. Interestingly, the margin of difference was very narrow among current owners (37 versus 36 percent) and somewhat larger among non-owners that intended new purchases (42 versus 34 percent).

In contrast to the slight perceived advantage of new RVs among owners that bought their RV new, owners that purchased their RVs used were much more extreme in their perceptions. Among owners of RVs bought used, 69 percent thought that used RVs gave more value for the money, more than three times the number that thought new RVs gave more value (21 percent). Non-owners that intended purchases of used RVs were also much more likely to think that used purchases gave more value for the money, but the difference was not as extreme as among owners of used vehicle (49 versus 31 percent).

Since it can be expected that owners would judge the new or used RV they purchased as the better value for the dollar--both before the purchase and even more so after the purchase as self justification--these results are not surprising. What is somewhat surprising is that this was much more true for buyers of used RVs than new RVs.

Age Subgroups. Among age groups, the greatest margin of difference in attitudes toward the value of new versus used RVs was in the middle age range--from age 35 to 54 (Chart 25). For those in the middle age group, used RVs were perceived as the better value twice as frequently as new RVs. For those over age 55, the margin of difference was the narrowest, although even among this age group used RVs held a slight perceived advantage. The comparative strength among the oldest age group was also reflected in the ownership data, as it was among this age group that recorded the highest proportion of RVs purchased new.

Income Subgroups. The differences in perceptions of the comparative value of new and used RVs was clearly related to the income of the household. As income increased, the perceived advantage of used RVs also increased (Chart 26). Among families in the highest income groups, those with incomes of $50,000 or more, more than twice as many families thought that used RVs were the better value for the dollar. Only among the lowest income families did new RVs hold the advantage. Importantly, among the middle income groups, crucial RV markets, the difference was relatively narrow, although the edge went consistently toward used RVs.

Educational Subgroups. Comparable to the results among income subgroups, the higher the educational level of the householder, the more likely they were to view used RVs as the better value for the dollar (Chart 27). The advantage accorded used RVs was especially strong among college graduates. In contrast, only those with less than a high school diploma did were RVs seen as the better value.

Region. Of all of the regions, the perceived advantage accorded used RVs was nowhere higher than in the West (Chart 28). Among Western residents, more than twice as many thought that used RVs were the better value for the dollar. In contrast, in each of the other three regions the margin of difference was much narrower.

Perceived Value of RVs

In order to help assess people's perceptions of the value of RV expenditures, respondents were asked compare the "value for the dollar" of RVs with other expenditures. In response, half of all respondents thought that purchases of a motorhome or travel trailer offered as much or more value for the dollar when compared with other ways people spend their money (Chart 29).

When a similar question was asked about expenditures on cars, fewer families gave such positive answers. RV expenditures were cited as giving more value for the money by 24% of all families compare with 16% that gave a similar assessment for cars (Chart 30). Families were more likely to think that cars offered the same value for their money as other purchases compared with RVs. Note that when the two response categories are combined--more and as much value for the money--the two distributions became much closer, although RVs still retained a small edge over assessments for cars.

The question about the relative value of RV purchases was also asked in 1981, and gave somewhat different results. Although the overall results in 1981 were nearly identical to the 1988 findings, in 1981 there were more families that felt they could not respond to the question, responding that they just didn't know. When these "don't know" responses are excluded from the distributions, the proportion that thought RVs gave more value for the dollar fell slightly from 29% in 1981 to 26% in 1988, and the proportions that thought RVs gave as much value as other products fell from 33% to 29%. While these results indicate a greater awareness of RVs, the increase awareness has been accompanied by somewhat less favorable perceptions. Nonetheless, even when these "don't know" responses are excluded, perceptions of the value of RV purchases still remained more favorable than for cars.

RV Ownership. When these perceptions of "dollar value" were related to RV ownership a clear pattern emerged (Chart 32). Many more families that owned an RV that was purchased new or used thought that RVs gave more value for the money than other purchases than non owners. More than twice as many RV owners as non owners thought that RVs gave more value for the money than other products--43% versus 19%. Moreover, these perceptions of "dollar value" clearly distinguished potential owners and potential renters from those who had no interest in the RV market. Among non owners that intended to buy a new RV during the year following the survey, 39% thought that RVs gave more value for the money, among those that planned renting an RV 28% percent thought that RVs gave more value, and among those that did not currently own and did not plan to buy or rent an RV only 19% thought RVs gave more value for the money. These results indicate that perceptions of value and the degree of attachment to the RV market are clearly and closely related.

Age Subgroups. There was very little difference in perceptions that RVs gave more value for the dollar that other purchases across age subgroups (Chart 33). Most of the difference was in the perceptions that RVs gave about the same value for the dollar as other purchases. As age increased, the proportion that thought that RVs gave as much value for the dollar as other expenditures declined.

Income Subgroups. Very little difference was found in these perceptions across income subgroups, except for the highest income group--family incomes above $50,000 (Chart 34). For families

with incomes up to $50,000, the proportions that thought RVs gave either as much or more value for the dollar as other types of expenditures remained relatively constant, totaling over 60 percent for each income subgroup. Among families with incomes above $50,000, these favorable perceptions of value were less favorable, but still accounted for 45 percent of all these high income families.

Educational Subgroups. Perceptions of the comparative value of RV did not differ very much by educational level, although similar to the income results, those with college educations were somewhat less likely to favorable view RVs expenditures (Chart 35).

Regions. While the results by income and education level are reflected in the ownership data, the results by region were not. Surprisingly, residents of the Western region were the least likely to view RVs as giving either as much or more value for the dollar compared with the other regions (Chart 36). Indeed, residents of the Northeast, the region with the lowest ownership rate, were the most likely to think that RVs give as much or more value for the dollar when compared with other ways people spend their money. When the West and Northeast are compared the differences were rather striking: 69 percent of the residents of the Northeast thought that RVs gave as much or more value for the dollar compared with 44 percent of the Western residents. Moreover, the ranking of all four regions on these perceptions of value are in the reverse order of the frequency of ownership. Needless to say, this result is not easy to understand.

Perceptions of RV Prices

To assess consumers' perceptions of average prices for new RVs, respondents were asked to estimate the average price of a new motorhome and a new travel trailer. Among all families, the median estimated price of a new motorhome was $30,000; the mean estimated price was $31,770. For new travel trailers, the median estimated price was $15,000; the estimated mean was $17,502.

While there is no readily available measure of the actual price paid by consumers for these RVs. From the limited amount of data I was able to obtain, in mid 1988 the mean selling price for travel trailers (excluding any tradein) was approximately $12,500, and the mean selling price for motorhomes was approximately $41,500. Given these overall average prices, it would appear that consumer perceptions of motorhome prices are an underestimate, and their perceptions of prices for travel trailers an overestimate.

Motorhomes. It is of course true that the prices for motorhomes cover a wide range, with prices ranging from under $30,000 to more than $100,000, depending on its size and features. Thus the underestimate by consumers of the average selling price may be due to their focusing on the relatively smaller motorhomes when answering this question. Nonetheless, the potential for so-called "sticker shock" is a real problem.

Current owner who purchased their RV new, gave price estimates that are very close to the actual selling prices (Chart 37). Among owners of motorhomes purchased new, they estimate an average cost of $40,690, just marginally below the $41,500 estimate based on industry sources. The next closest estimate of the actual cost was for non owners that intended to purchase a new RV. Among these consumers, their estimate of the price of a new motorhome was $34,398. Perhaps the most troublesome finding was that owners of RVs bought used gave the lowest estimate of the price of a new motorhome, just $29,564. This is an important group since replacement purchases among these owners represent a prime opportunity for upgrading to new vehicles.

In contrast to the difference in perceptions of motorhome prices depending on their ownership and purchase intentions, these perceptions did not differ significantly over a broad array of demographic

subgroups. Differences in age, income, education, and the region of residence had only a small and insignificant relationship to these perceptions of motorhome prices (Charts 38-41). These results indicate that the direct experience of purchasing or intending to purchase a new motorhome had the most impact on obtaining accurate price information.

Travel Trailers. In sharp contrast to the results for motorhomes, perceptions of prices of travel trailers are more likely to underestimate the true costs. The problem here, rather that encountering "sticker shock" when entering the showroom, in this case consumers are less likely to even come into the showroom because of these misperceptions. Happily, this problem is much easier to address.

As with motorhomes, current RV owners had much more accurate perceptions of travel trailer prices than other consumers (Chart 42). Among owners of RVs purchased new, the estimate price of a new travel trailer was $15,593. Among owners that purchased their RV used, the estimated price for a new travel trailer was $13,023. Nonetheless, even for these consumers, the estimated price was above the industry estimates of approximately $12,500. Most troublesome, non owners that intended to purchase an RV gave the highest estimates for the cost of a new travel trailer. Here the opportunity to provide more accurate price information would yield the greatest benefits.

Although the price range for travel trailers is much narrower than that for motorhomes, the industry estimate of $12,500 cited above is for conventional travel trailers. Fifth-wheel travel trailers of the same overall length are more expensive, and the higher estimates among consumers that intended to buy new RVs may reflect the influence of fifth-wheels.

Differences across demographic groups in perceptions of average travel trailer prices were generally small (Charts 43-46). Misperceptions, however, were somewhat larger among those over age 55 and those with less that a high school education.

Purchase Intentions

The long time period that research has been conducted on behalf of RVIA has allowed the analysis of a broader array of issues than first anticipated. As part of the sample design of the monthly Surveys of Consumers, each household initially interviewed is contacted for a second interview six months to a year later. The sample design, called a rotating panel, incorporates the benefits of both a constantly updated sample of new households as well as the benefits from repeated measurements on the same households. This design reflects our interest in not only what people say they will do, but also in what they actually do. More importantly, it reflect our interest in understanding how and why people change, regardless of whether the change was anticipated or not.

I have used the data collected over the past four years, representing a total of nearly 25,000 interviews, to match initial interviews with subsequent behavior. My primary interest in doing this was to assess the usefulness of purchase intentions data. What was found for RV purchase intentions data was rather typical of other types of products, such as car purchase intentions data: those families that stated an intention to purchase an RV were much more likely than other families to actually purchase. Nonetheless, because only a very small fraction of all families voiced explicit purchase intentions, most RVs were actually purchased by families that did not express explicit purchase intentions.

When doing the analysis of the fulfillment of purchase intentions, I also examined the extent to which families that expressed intentions to rent an RV instead bought an RV. This analysis was meant to explore how many of the families that expressed an interest in the rental of an RV were actually convert into buyers.

Among all families that said that they "probably would" buy an RV during the year ahead, 16 percent actually did make the purchase by the time of the reinterview. In contrast, among families that said that they would "probably not" buy an RV, 5 percent actually did make a purchase (Chart 47). Thus, families that expressed definite purchase intentions were three times as likely to actually purchase an RV than families that expressed no purchase intentions. In between these two alternatives, the purchase intention question also classified families by whether they thought the "chance were about even" that they would purchase. Among these families, 10 percent actually purchases an RV. Thus these families were twice as likely to make a purchase compare with families that did not intend to purchase, but only two-thirds as likely to purchase when compared with families that expressed more definite purchase intentions.

The analysis of the rental intentions data indicated that 7 percent of the families that expressed an interest in renting an RV actually purchased one by the time of the second interview. While this purchase rate is lower than for families that expressed buying intentions, it does indicate that the expression of an interest in the rental of an RV does correspond with a somewhat higher purchase rate than for families that expressed neither buying nor rental intentions.

Overall, the purchase intentions question does provide a significant predictive relationship with subsequent behavior. Nonetheless, the relationship is not very large. Like the analysis of other types of purchase intentions data, the majority of families that express intentions to buy an RV do not. The reasons for the lack of purchase are varied, and include families changing their plans because of changes in their family situations, incomes, their ability to finance the purchases, and other factors. In addition, it may simply reflect timing--that the family has not made the purchase by the time of the second interview, usually only six months after the initial contact whereas the question asks about purchase intentions over the next year.

The other major factor that should be noted about intentions data is the impact of the relative sizes of the different population groups. Although families that expressed definite purchase intentions were much more likely to buy, only a small number of all families hold such intentions (Chart 48), and therefore account for a very small fraction of total sales (Chart 49). Although 16 percent of families with definite purchase intentions actually bought RVs, this group of families only accounted for 3 percent of the total population, and thus accounted for only about 9 percent of all RV purchases. Those families that expressed intermediate buying intentions, accounted for 7 percent of all RV purchases. Importantly, because a much larger share of the population expressed rental intentions than buying intentions, families with rental intentions accounted for 20 percent of all RV bought. Among families that expressed no purchase intentions, since they accounted for the vast majority of all families, even with their low rate of actual purchases, their purchases accounted for 64 percent of all RVs purchased.

Current Buying and Rental Intentions

In the mid 1988 surveys, current buying and rental intentions were assessed. For these surveys, for households that said they intended to buy an RV, they were also asked whether they intended to buy a new or used RV (Chart 50).

Age Subgroups. Both buying and rental intentions were highest among those under age 35 and lowest among those over age 55. Intentions to buy new RVs were also highest among the younger age group, although for those over age 55, intentions to buy a new RV were as frequent as for a used RV (Chart 51). Rental intentions declined sharply with age, with those over age 55 voicing rental intentions only a fourth as frequently as those under age 35 (Chart 55).

Income Subgroups. Buying intentions were highest among the upper middle income group--

those with family incomes of $35,000 to $50,000. But most of these intentions were for purchases of used RVs (Chart 52). Among the other income groups, intentions to purchase either new or used RVs varied very little, except for families in the lowest income group--those with incomes under $15,000. In contrast, rental intentions generally rose with income, and were highest among families with incomes of $50,000 or more, although the difference was not very large among families with incomes above $25,000 (Chart 56).

Educational Subgroups. Intentions to purchase both new and used RVs were highest among householders with a high school education. Moreover, as the educational level increased, intentions to purchase new RVs declined (Chart 53). In contrast, rental intentions rose consistently with education, and were highest among those with college degree (Chart 57).

Regions. Intentions to purchase new RVs varied by a very small amount across the four major census regions. The entire difference in overall buying intentions was accounted for by differences in intentions to purchase used RVs (Chart 54). These intentions to purchase used RVs were highest in the South and Northeast. For rental intentions, the only region that was higher than average was the West (Chart 58).

Ownership Turnover

When conducting the analysis of purchase intentions, it became apparent that a second and related issue was also important. Much of the research conducted on the RV market has emphasized the importance of, and commitment to, the "RV lifestyle". Indeed, the very term "lifestyle" was used to convey the encompassing and enduring nature of the commitment. Most of my research also confirmed this basic point: RVers expressed a long term commitment to a lifestyle that emphasized family outdoor recreation. This has meant that, among other things, the best prospects for future RV sales are current RV owners. While the data I have on this issue in no way makes this an incorrect interpretation, the data do indicate that the movement in and out of the RV market is more than I, and many others, had originally thought.

The analysis took the form of determining how many families that owned RVs in the first interview still owned an RV in the subsequent reinterview, and how many families that did not own at the time of the first interview purchased an RV by the time of the second interview. The results were that over the six months to a year between interviews, 77 percent of all owners at the time of the first interview remained an owner at the time of the second interview (Chart 59). The vast majority of these families owned the same RV at both times, although some had purchased a new RV to replace their old one.

Overall, 15 percent of all owners purchased a replacement RV between the time of the first and second interview--this is an underestimate since it only counts families that purchased an RV of a different type than they owned previously. In the ongoing monthly surveys, the data is not detailed enough to distinguish between two RVs of the same type.

For me, the surprising finding was that of all owners in the first interview, 23 percent sold their RV without making a replacement purchase by the time of the second interview, and 25 percent of the owners at the time of the second interview did not own an RV when interviewed initially. As a result, approximately as many families left the RV market as entered, leaving the total number of RV owners largely unchanged. The surprise was of course the extent of the turnover in RV households.

Non-RV Vans

The rise in van ownership has been accompanied by an increased use of these vans for recreational purposes. In the household survey, to qualify as a recreational vehicle a van had to have permanent built-in sleeping spaces. For the purposes of this study, I will use the term "regular vans" to denote those vans not classified as RV van conversions. All owners of these regular vans were asked whether they had used their van for overnight camping trips. In response, 29% responded they had.

Age Subgroups. Although it might be expected that use of regular vans would be most common among the youngest age groups, this was not true (Chart 60). Use of regular vans for overnight camping rose with the age of the head of the household, with 38% of those over 55 year of age reporting camping usage compare with 28% under age 55.

Income Subgroups. Among income groups, use of regular vans for camping was highest among those with low incomes (under $15,000), and among those in the upper middle income groups ($35-$50,000). The higher use in the lowest income group in part reflects the higher usage among the older population (Chart 61).

Educations Subgroups. Although income and education have a high correspondence, the relationship with education was striking (Chart 62). Among those with less than a high school education, just 8% used regular vans for overnight camping, rising to 15% for those with a high school degree, and to 37% for those with college degrees. Since ownership of RVs is highest among the high school educational group, the use of regular vans for the purposes of overnight camping among the highest educational groups can be interpreted as a indication of their lesser attachment to the camping lifestyle.

Regions. Use of regular vans for camping was highest in the Western region of the country, where 35% of owners of regular vans used them for camping (Chart 63).

Family Size. Family size also had a strong impact on the use of regular vans for camping purposes (Chart 64). Use of regular vans for overnight camping was highest among households without children under age 18--reported by 41%. In contrast, with one child the usage rate dropped to 31%, and with two or more children under 18 the usage rate dropped to 21%. Clearly, the larger the family the less suitable a regular van was for overnight camping trips.

What are the implications of this substitution of regular vans for RVs. As in all things, some implications are positive, some are not. Insofar as regular vans promote interest and participation in camping and associated recreational activities, their current use is likely to promote upgrading to regular RVs. In addition, these regular van owners constitute a market for products designed to enhance the use of these regular vans for camping purposes. And given the numbers of vans now in use, the market is certainly large.

On the negative side is the fact that these regular vans do serve as substitutes for more traditional RVs. This acts to reduce the size of the potential RV market. And given the very large numbers of regular van owners, the loss could be substantial. The appeal of regular vans as substitutes for more traditional may reflect both cost as well as preference factors. For the more casual user, the regular van is more versatile, easier to drive, park, and maintain. In addition, it may reflect a preference for "driveable" rather than "towable" recreational vehicles in this era of downsized vehicles.

Summary of Finding

These results can be summarized as follows: First, and foremost, ownership of RVs has risen during the decade of the 1980s, from a one-in-twelve ownership rate to one-in-ten at present. Although van conversions accounted for a large part of this increase, ownership of each type of RV, except for slide-in truck campers, posted increases during the past decade.

Sales of RVs in 1988 posted their best performance during the last ten years. While this is certainly marks the renewed strength of the market, recent annual sales rates have not reached the heights of the booms of the 1970s. Nonetheless, recent sales rates have matched the average performance of the past, and importantly, this has been accomplished without the instability of boom-bust cycles that characterized the 1970s

Moreover, the maintenance of the underlying strength in the RV market was accomplished in a decade when family incomes were slowly recovering from the inflationary erosions of the late 1970s. In addition, the loss of high wage manufacturing jobs in the 1980s also dampened traditional sources of strength. Demographic shifts in the 1980s also dampened sales, especially of new RVs, as the number of persons aged 55 to 64 declined in the late 1980s. These income and demographic factors will become more favorable toward the RV industry in the 1990s, as "baby boomers" move into the prime age ranges for buying new vehicles while reaching their peak earning years.

Most owners purchased their RVs used. In part, this reflects the view that used vehicles yield the better value for the dollar. The popularity of used vehicles, together with the much higher sales rates in the 1970s, provided a relatively large supply for the used vehicle market. During the upcoming decade, this used vehicle supply is likely to shrink, offering better prospects for new vehicles. Anything done to encourage a higher scrappage rate of these used vehicles will no doubt further bolster new vehicle sales.

Nonetheless, these dollar value assessments of new and used vehicles remain relatively close, and could be shifted more decisively in favor of new vehicles. Renewed emphasis in communications with consumers on the improvements in product quality and new features would help to solidify this opinion.

This task will benefit from the overall favorable attitudes consumers hold toward RV expenditures. The majority of families thought that compared to other ways people spend their money, RVs offer as much or more value for the dollar.

Perhaps the most important finding is that consumers generally have overestimated the price of new travel trailers, and because of this the value assessments of RV expenditures have also been influenced. Much more must be done to communicate to consumers that owning a travel trailer is a more economical purchase than they might have otherwise expected. Although it may always be tempting to showcase the newest, most advance and feature laden products, this may have dampened the potential interest of some consumers.

For motorhomes, price perceptions indicate that "sticker shock" is a problem. This problem must be effectively addressed. Although more readily available price information on motorhomes may initially dampen consumer interests, in the long run, it will help to bring these expectations in line with actual prices. Sales of van conversions compared with motorhomes may have benefited from these misperceptions, making the van conversions seem much more attractive based on their prior price expectations. The "sticker shock" that plagued the automobile market in the late 1970s is hardly mentioned anymore by consumers. This was not accomplished by declines in prices--they are now

even higher in relative terms; it came about because of changes in price expectations.

The underlying demand for vehicles that enhance consumers' camping and outdoor recreation experiences has certainly remained strong. The growth in ownership of compact and regular vans, and the proportion of families using these vehicles for camping, attest its enduring popularity. If van conversions represent a first step towards upgrading to more traditional RVs, this process must be enhanced by greater product development in the middle price range.

Moreover, the data also indicates a significant proportion of turnover in RV owners. More must be learned about the reasons for families leaving the market. Do they leave only to return later, or are they one-time buyers? How can the stays be lengthened and the departures be minimized? If short term ownership represents a distinctive market, how can it be promoted effectively?

Overall, the results of the latest survey indicate that consumer demand for RVs continues to be strong. And we can look forward to further growth in the decade ahead.

Surveys of Consumers

Richard T. Curtin, *Director*

RVIA
1989 Annual Meetings

Maui, Hawaii
February 28, 1989

Materials to accompany presentation:

RV Consumer

Richard T. Curtin
Director, Surveys of Consumers
The University of Michigan

CHART 1
HOUSEHOLD OWNERSHIP OF RVS

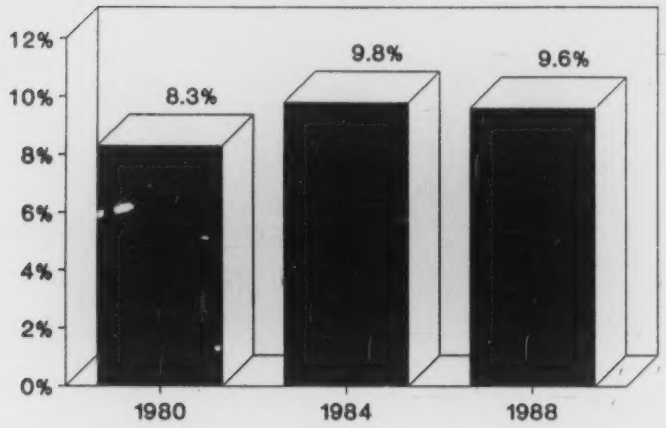


CHART 2
NUMBER OF HOUSEHOLDS THAT OWN RVS

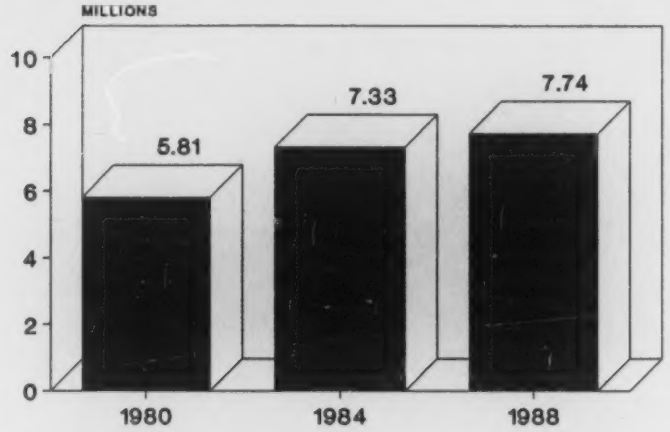


CHART 3
HOUSEHOLD OWNERSHIP OF RVS

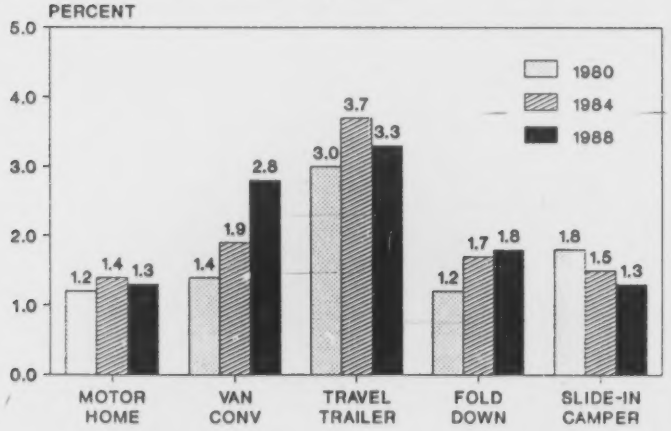


CHART 4
HOUSEHOLD OWNERSHIP OF TRUCKS

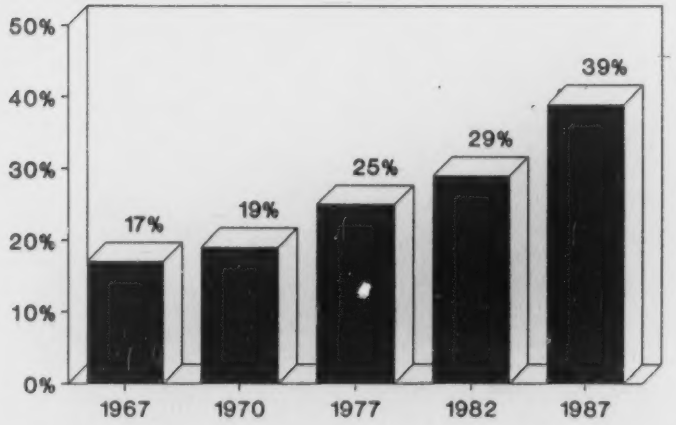


CHART 5
RV DELEIVERIES (QUARTERLY, SAAR)

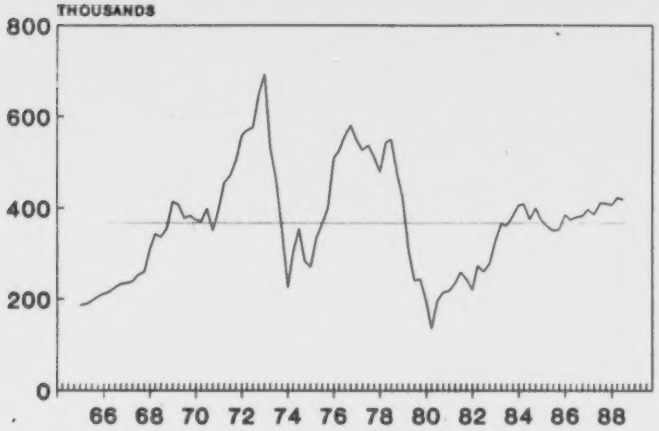


CHART 6
MONTHLY RV DELIVERIES AND
SEASONALLY ADJUSTED MONTHLY DATA

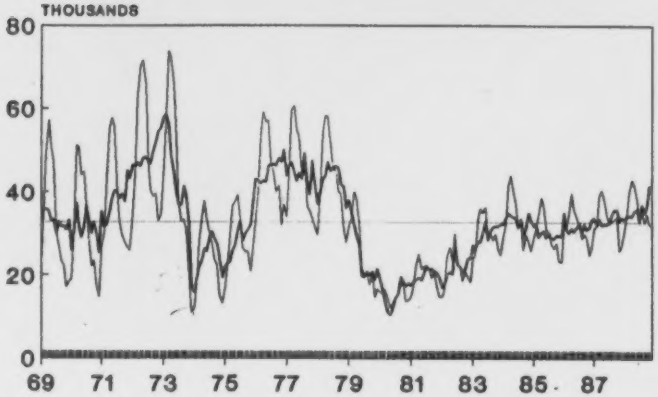


CHART 7
THE "FIRST" AND "LAST" NINE YEARS

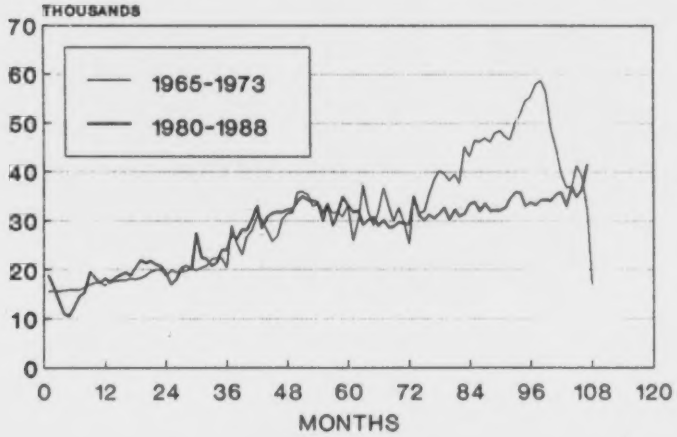


CHART 8
MARKET SHARES BY TYPE OF RV

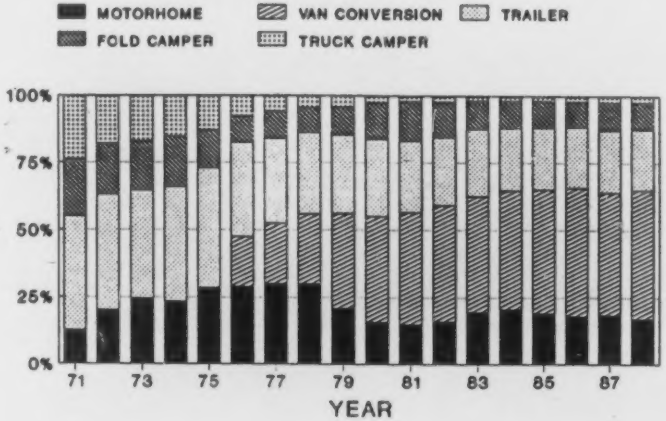


CHART 9
OWNERSHIP OF RVS BY AGE GROUP

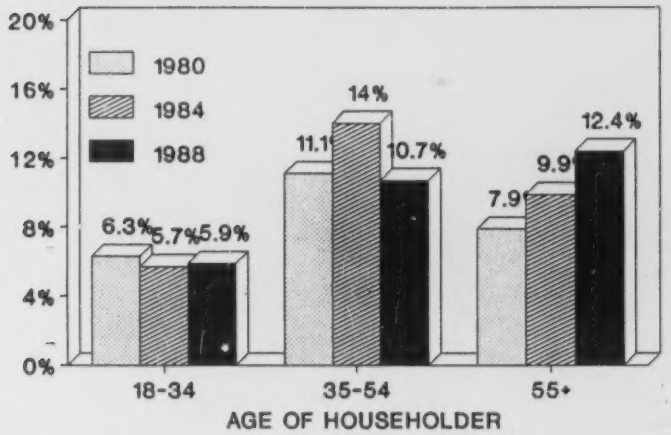


CHART 10
OWNERSHIP OF RVS BY INCOME GROUP

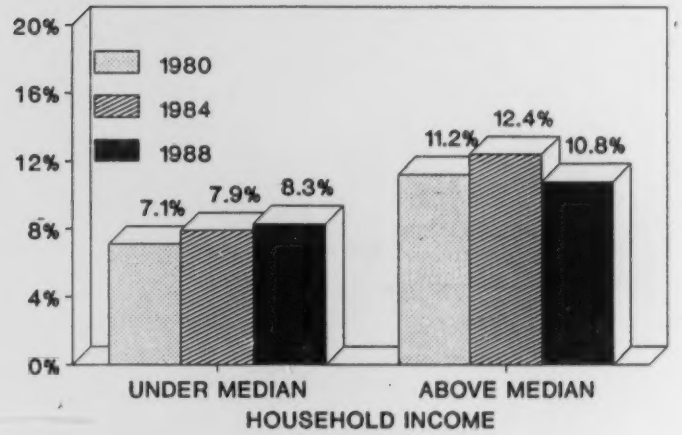


CHART 11
OWNERSHIP OF RVS BY REGIONS

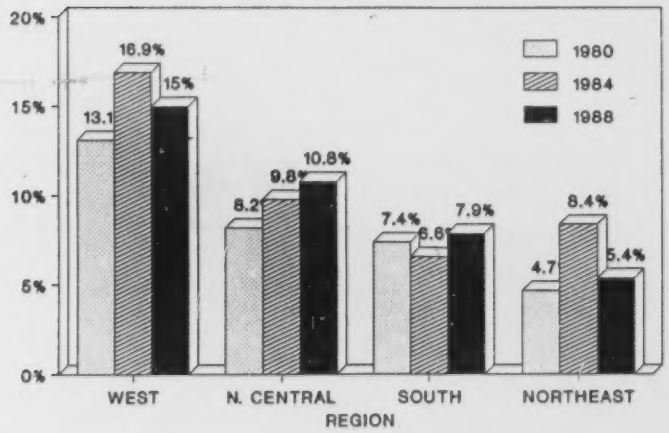


CHART 12
ANNUAL MEDIAN FAMILY INCOME

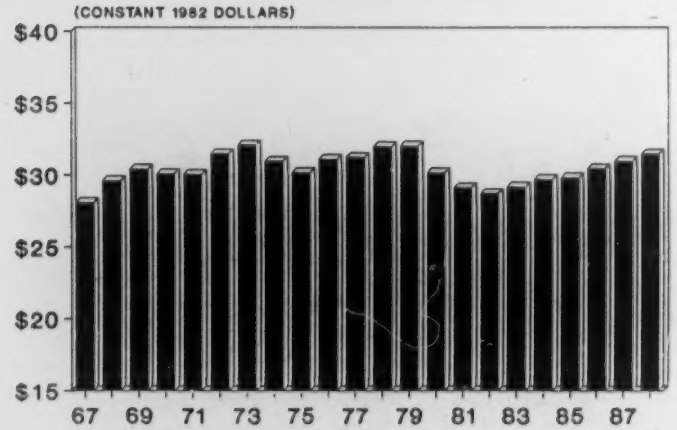


CHART 13
PERCENT CHANGE IN POPULATION
BY AGE GROUPS: 1980 - 1985

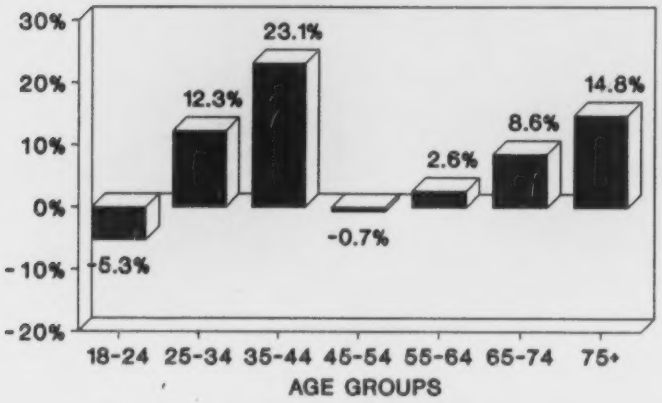


CHART 14
PERCENT CHANGE IN POPULATION
BY AGE GROUPS: 1985 - 1990

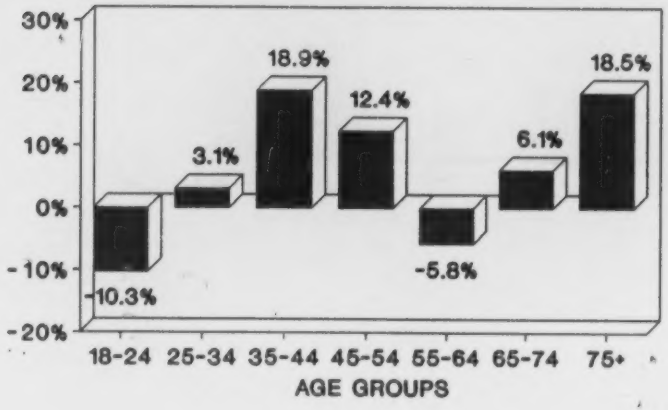


CHART 15
PERCENT CHANGE IN POPULATION
BY AGE GROUPS: 1990 - 1995

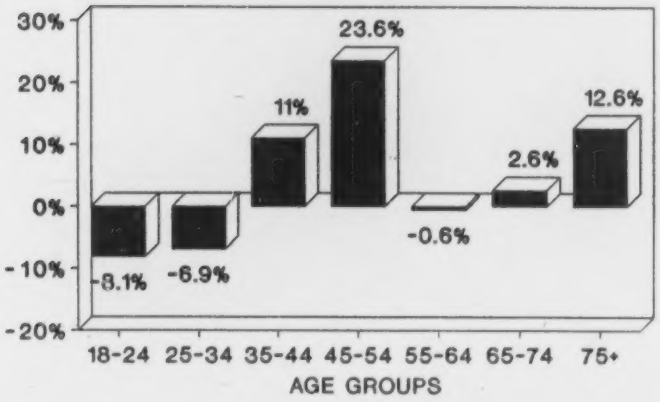


CHART 16
PERCENT CHANGE IN POPULATION
BY AGE GROUPS: 1995 - 2000

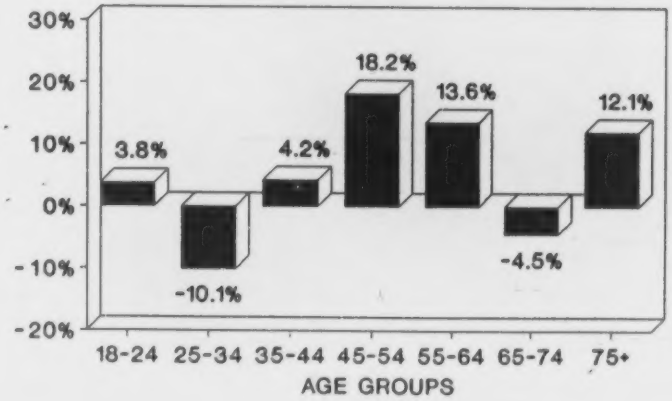


CHART 17

PURCHASE OF NEW & USED RVS

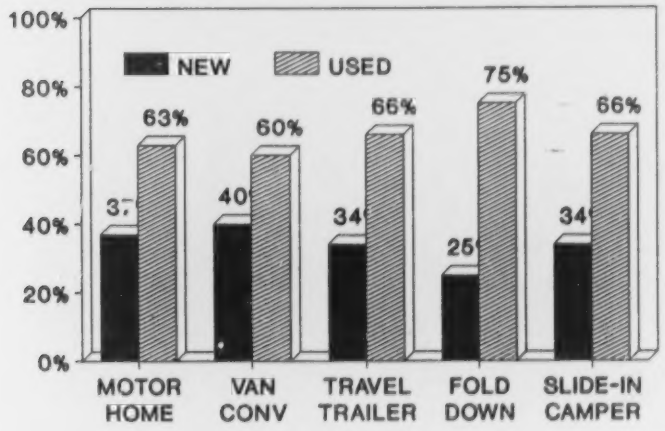


CHART 18

PURCHASE OF NEW RVS

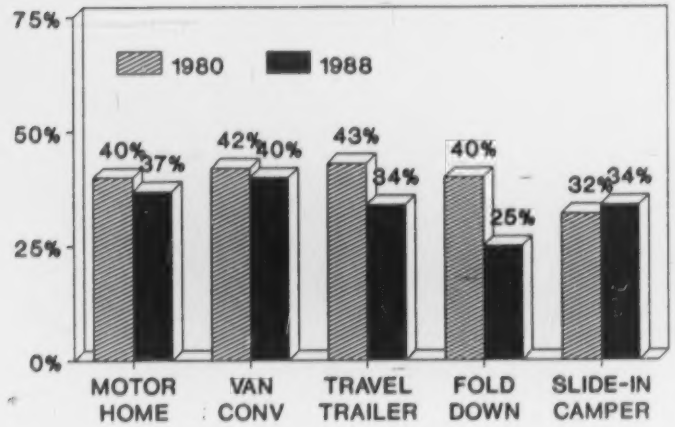
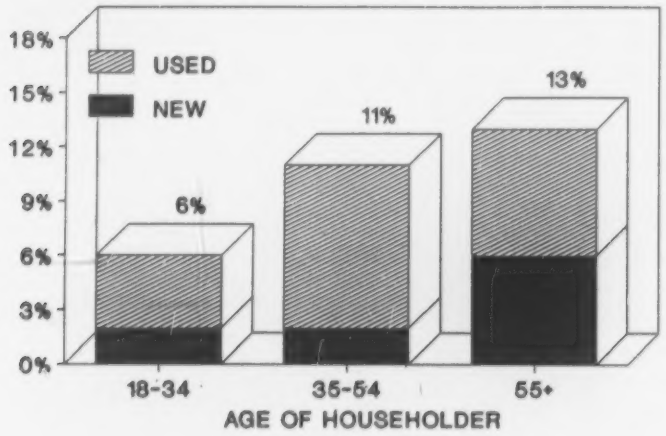


CHART 19

OWNERSHIP OF RVS BOUGHT NEW & USED



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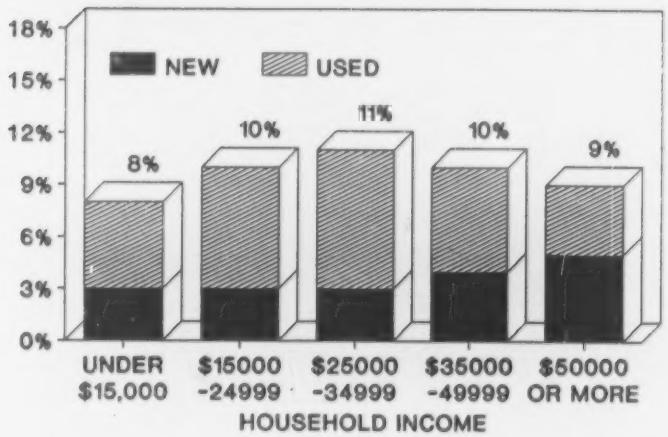

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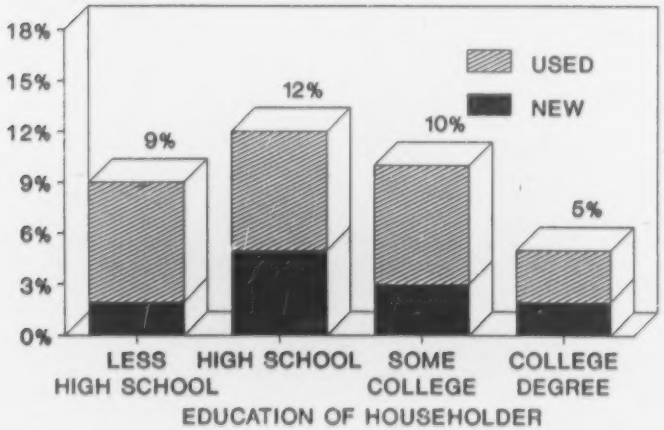


CHART 22

OWNERSHIP OF RVS BOUGHT NEW & USED

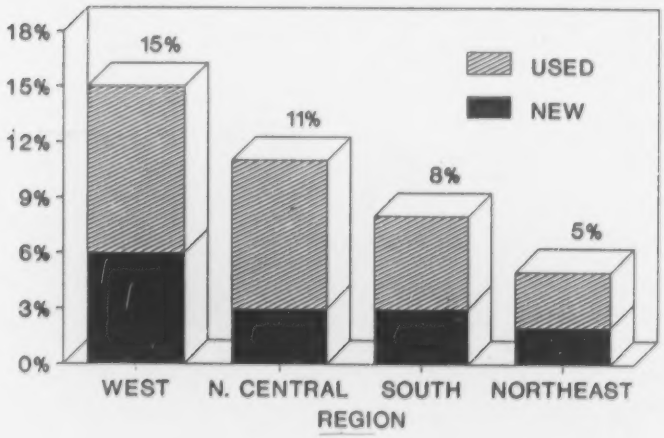


CHART 23

RELATIVE VALUE OF NEW & USED RVS

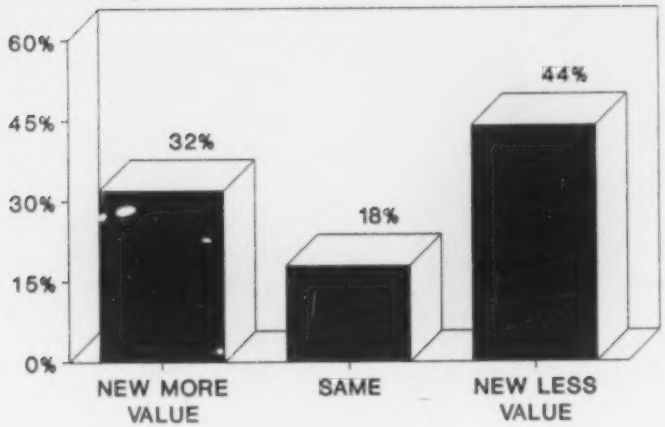


CHART 24

RELATIVE VALUE OF NEW & USED RVS

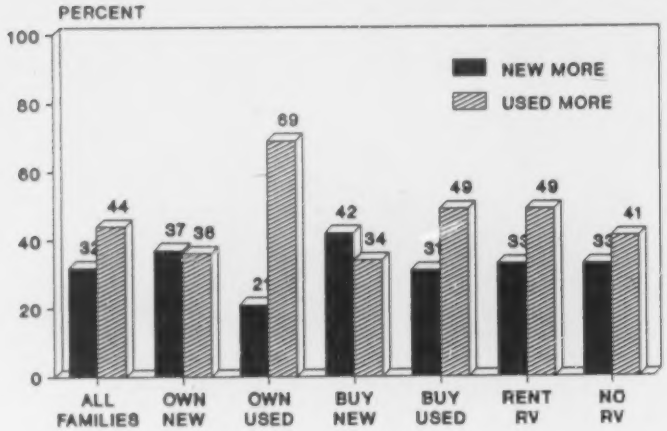


CHART 25

RELATIVE VALUE OF NEW & USED RVS

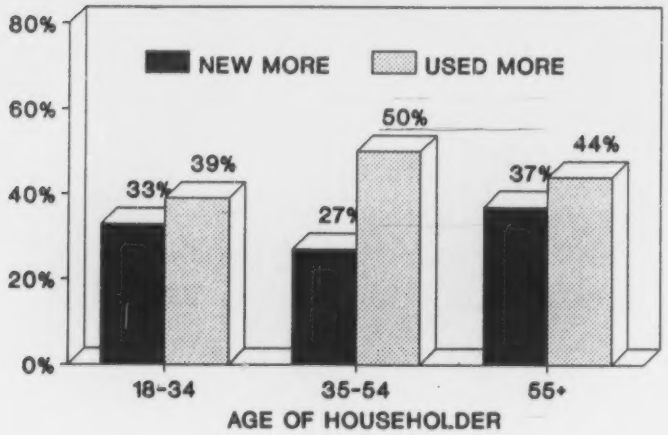
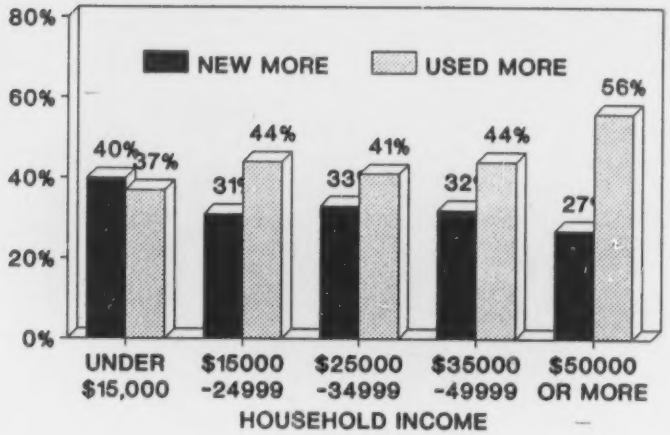


CHART 26

RELATIVE VALUE OF NEW & USED RVS



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RELATIVE VALUE OF NEW & USED RVS

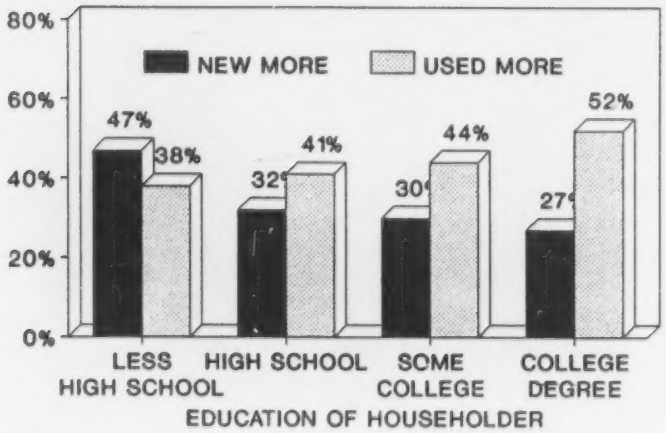


CHART 28

RELATIVE VALUE OF NEW & USED RVS

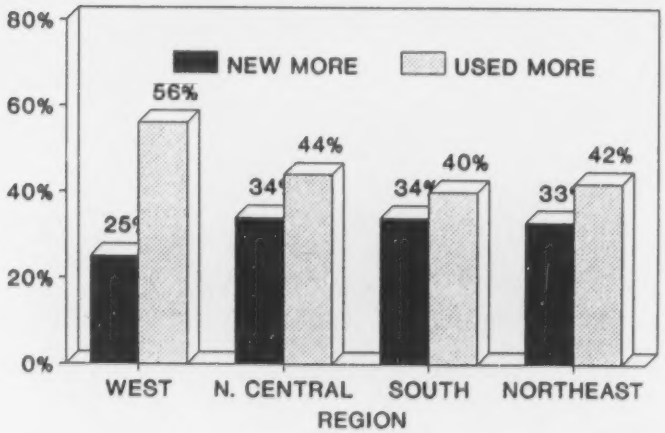


CHART 29
PERCEPTIONS OF DOLLAR VALUE OF RVS
COMPARED WITH OTHER EXPENDITURES

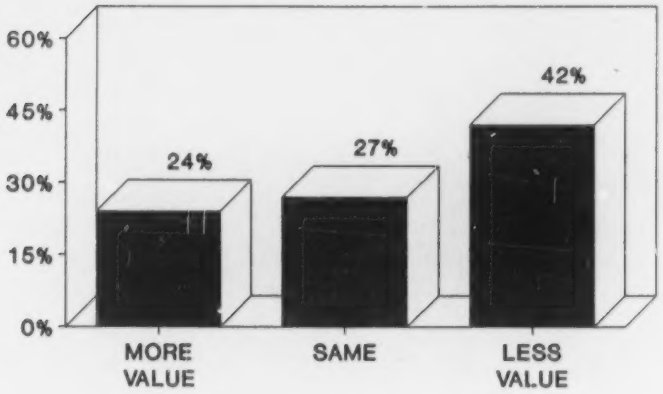


CHART 30
PERCEPTIONS OF VALUE OF CARS & RVS
COMPARED WITH OTHER EXPENDITURES

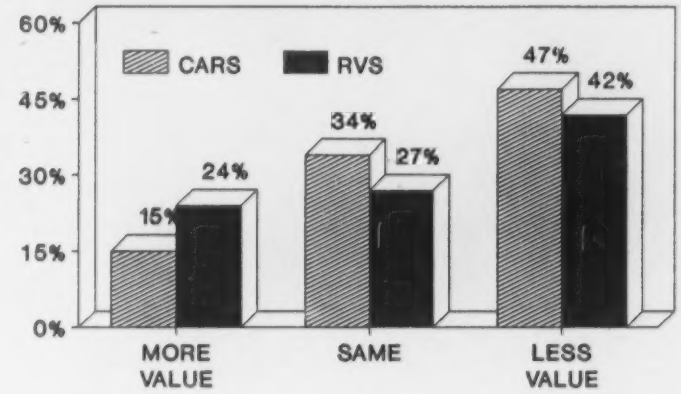


CHART 31
PERCEPTIONS OF DOLLAR VALUE OF RVS
COMPARED WITH OTHER EXPENDITURES

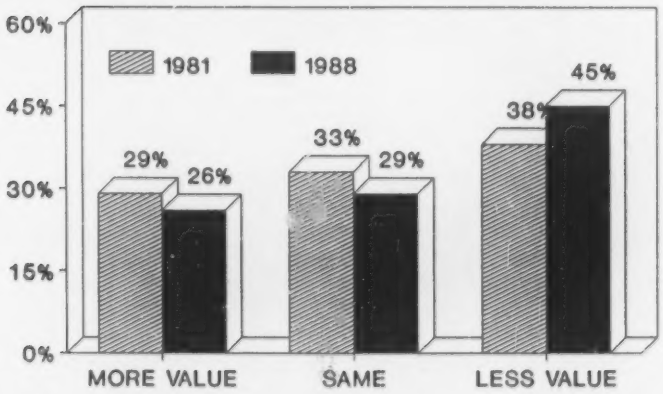


CHART 32
PERCEPTIONS OF DOLLAR VALUE OF RVS
COMPARED WITH OTHER EXPENDITURES

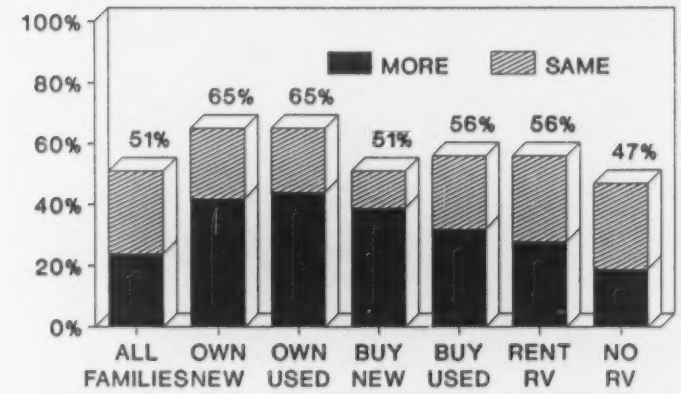


CHART 33
PERCEPTIONS OF DOLLAR VALUE OF RVS
COMPARED WITH OTHER EXPENDITURES

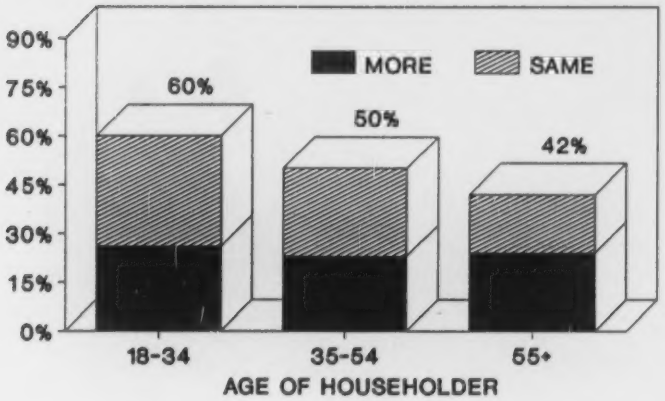


CHART 34
PERCEPTIONS OF DOLLAR VALUE OF RVS
COMPARED WITH OTHER EXPENDITURES

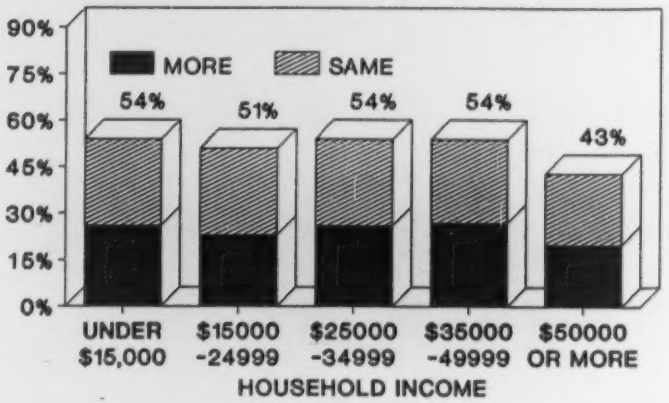


CHART 35
PERCEPTIONS OF DOLLAR VALUE OF RVS
COMPARED WITH OTHER EXPENDITURES

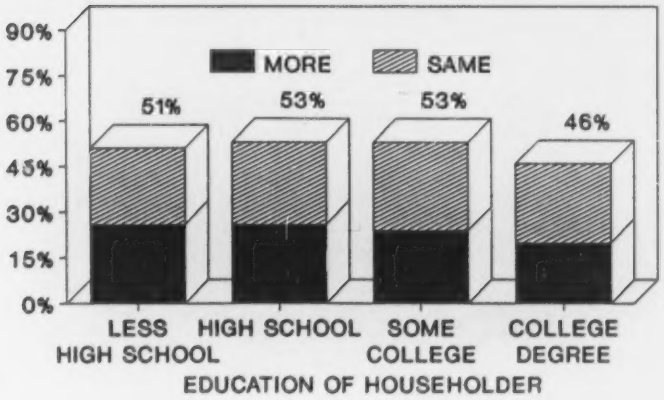


CHART 36
PERCEPTIONS OF DOLLAR VALUE OF RVS
COMPARED WITH OTHER EXPENDITURES

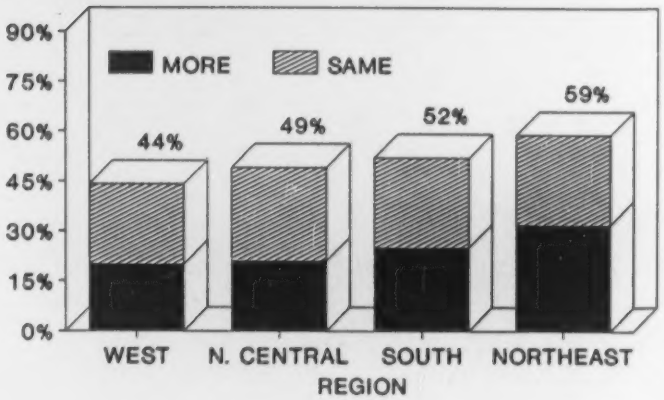


CHART 37

PERCEPTIONS OF MOTORHOME PRICES

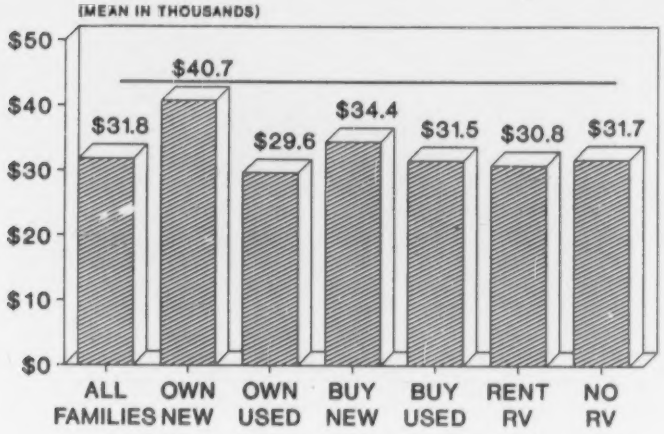


CHART 38

PERCEPTIONS OF TRAVEL TRAILER PRICES

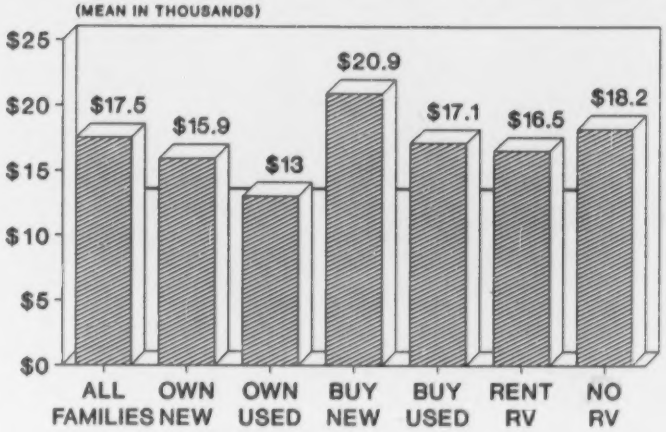


CHART 39
PERCEPTIONS OF MOTORHOME PRICES

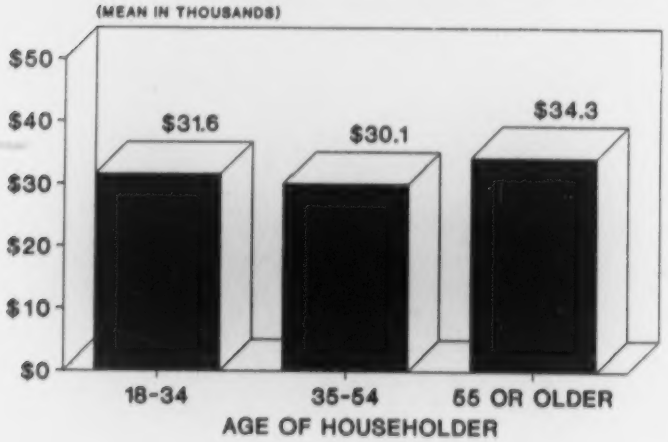


CHART 40
PERCEPTIONS OF MOTORHOME PRICES

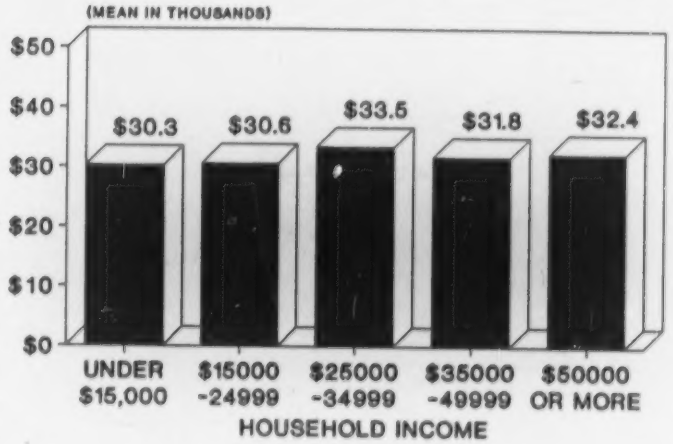


CHART 41
PERCEPTIONS OF MOTORHOME PRICES

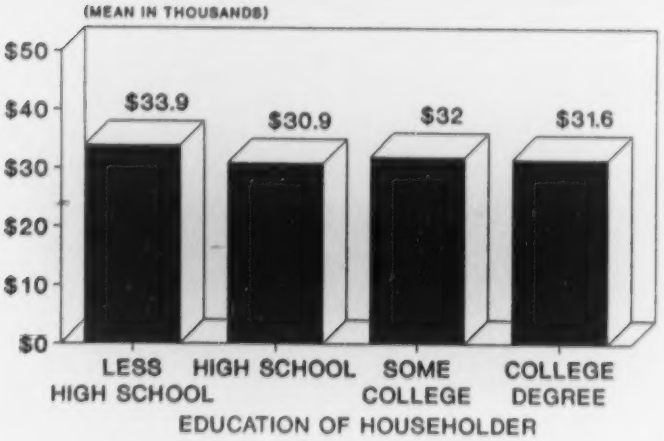


CHART 42
PERCEPTIONS OF MOTORHOME PRICES

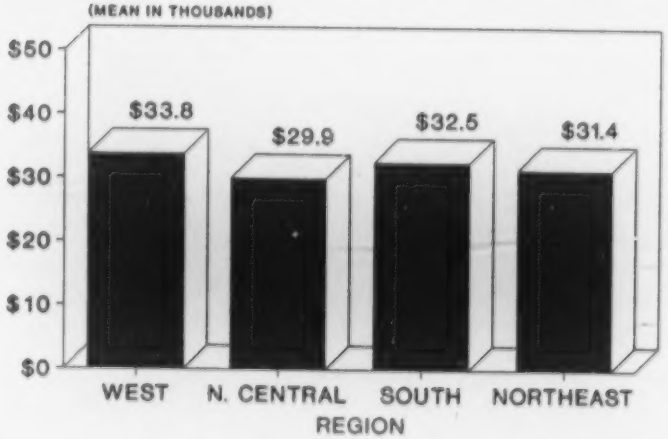


CHART 43
PERCEPTIONS OF TRAVEL TRAILER PRICES

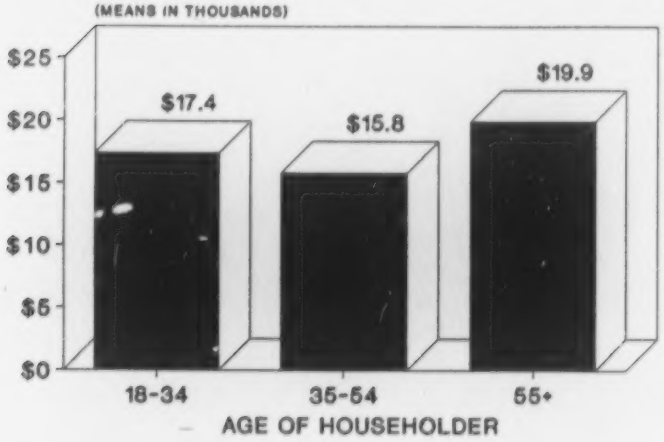


CHART 44
PERCEPTIONS OF TRAVEL TRAILER PRICES

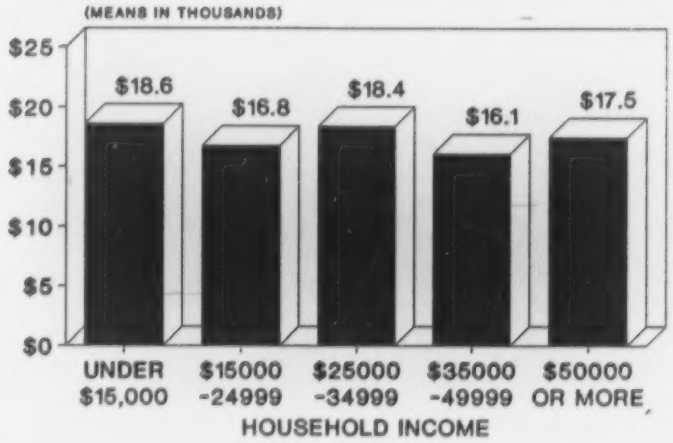


CHART 45
PERCEPTIONS OF TRAVEL TRAILER PRICES

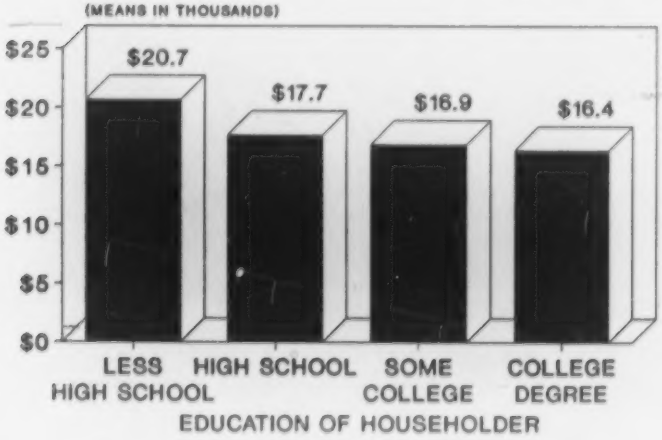


CHART 46
PERCEPTIONS OF TRAVEL TRAILER PRICES

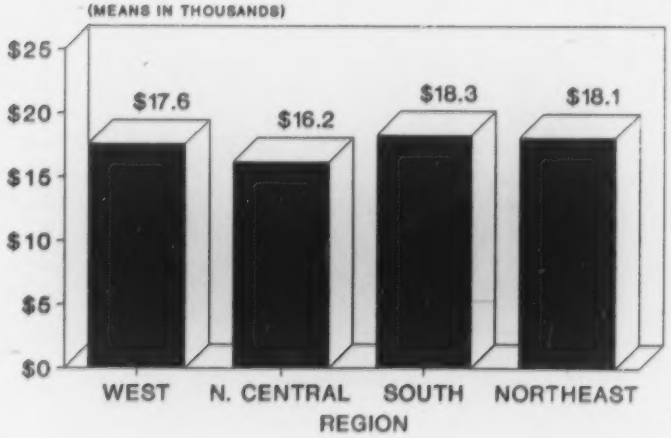


CHART 47
PERCENT OF INTENDERS THAT BOUGHT

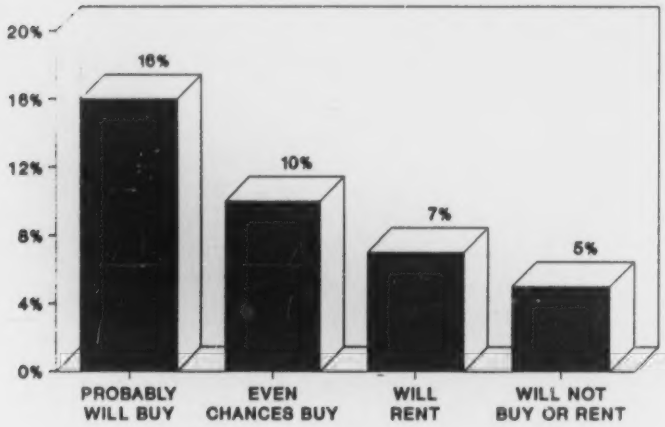


CHART 48
PERCENT OF FAMILIES WITH INTENTIONS

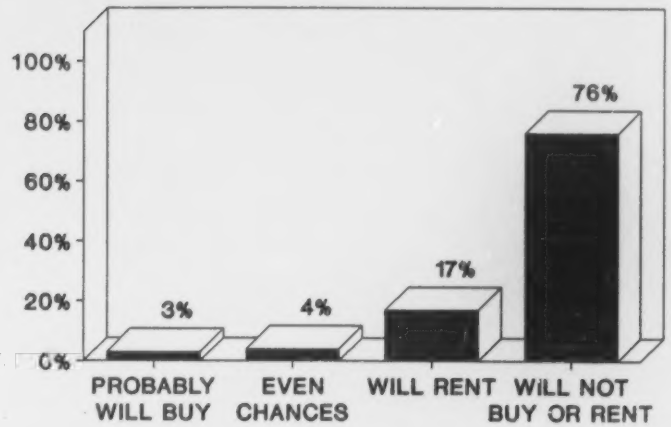


CHART 49
SHARE OF RVS BOUGHT BY INTENTIONS

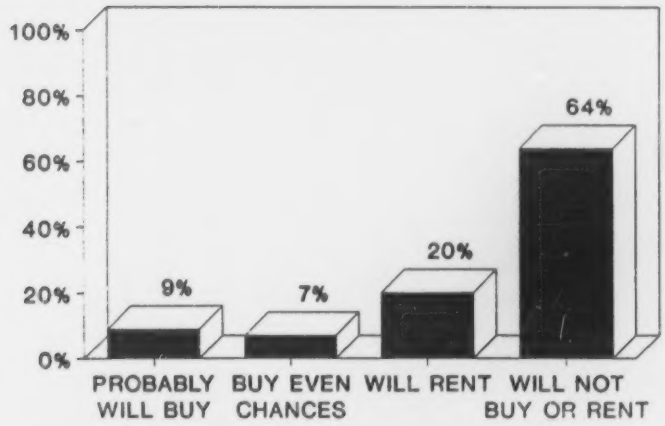


CHART 50
OWNERSHIP, BUYING & RENTING INTENTIONS

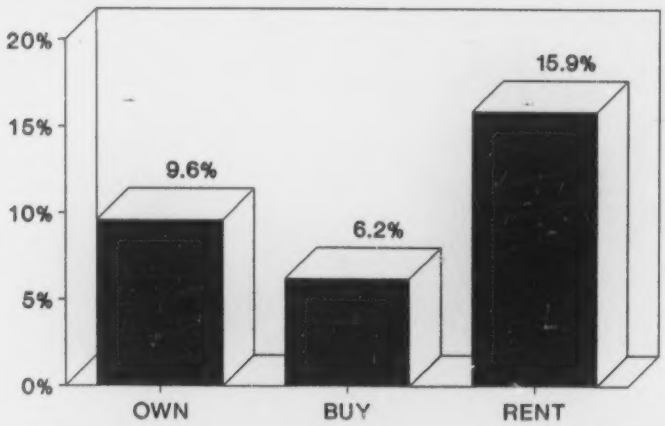


CHART 51
BUYING INTENTIONS OF NEW & USED RVS

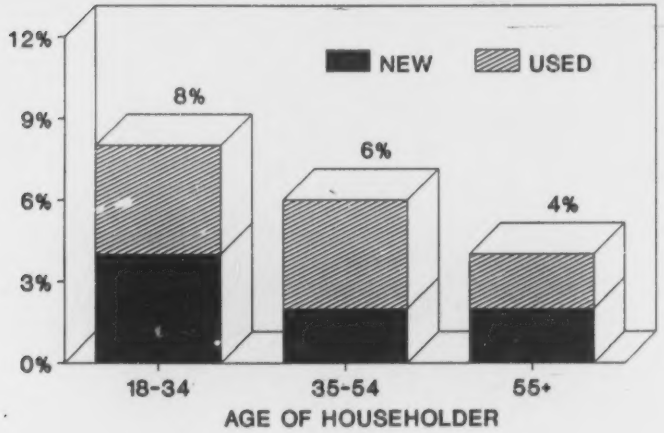


CHART 52
BUYING INTENTIONS OF NEW & USED RVS

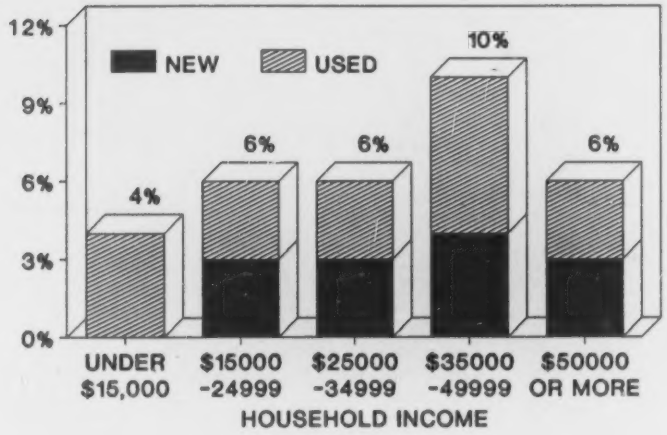


CHART 53
BUYING INTENTIONS OF NEW & USED RVS

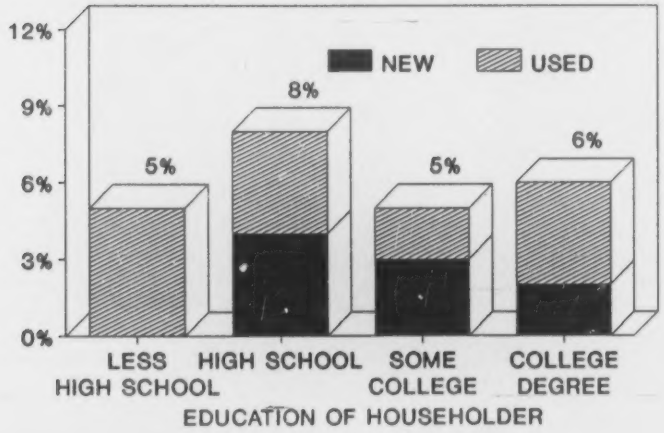


CHART 54
BUYING INTENTIONS OF NEW & USED RVS

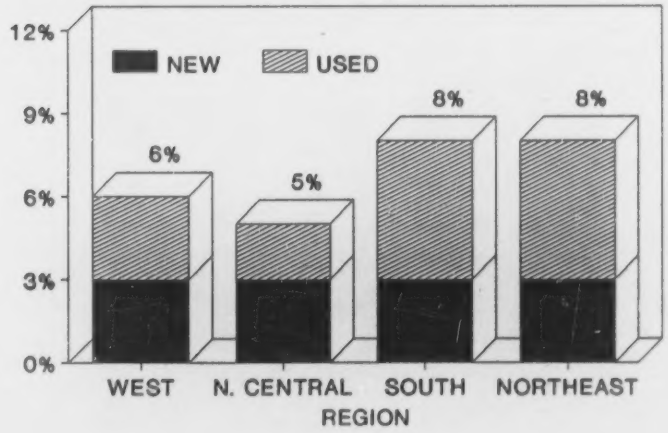


CHART 55
RV RENTAL INTENTIONS

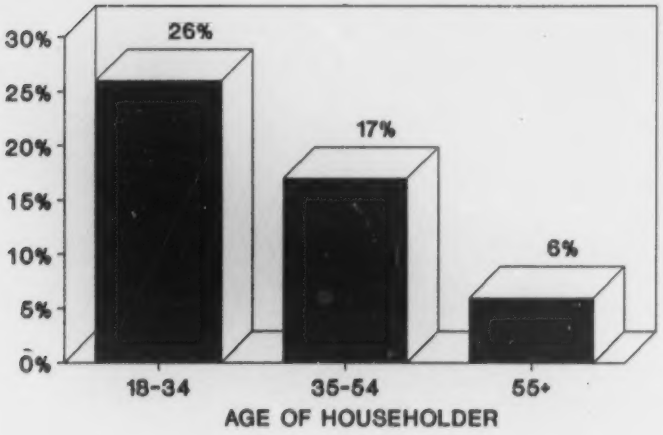


CHART 56
RV RENTAL INTENTIONS

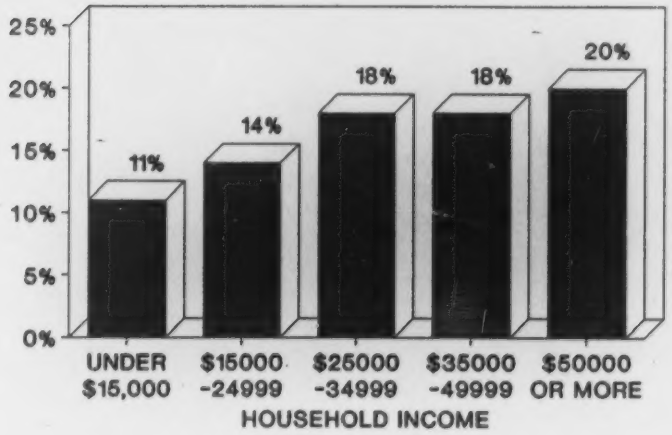


CHART 57
RV RENTAL INTENTIONS

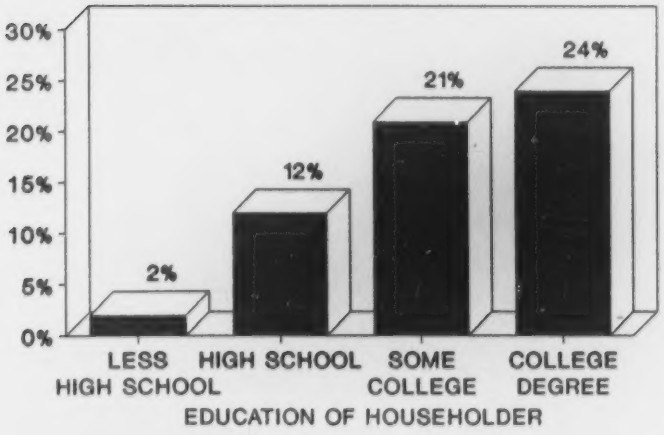


CHART 58
RV RENTAL INTENTIONS

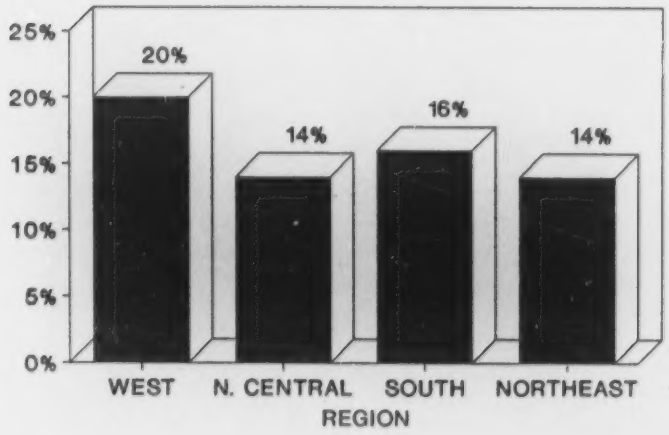


CHART 59

TURNOVER IN THE RV MARKET, 1984-87

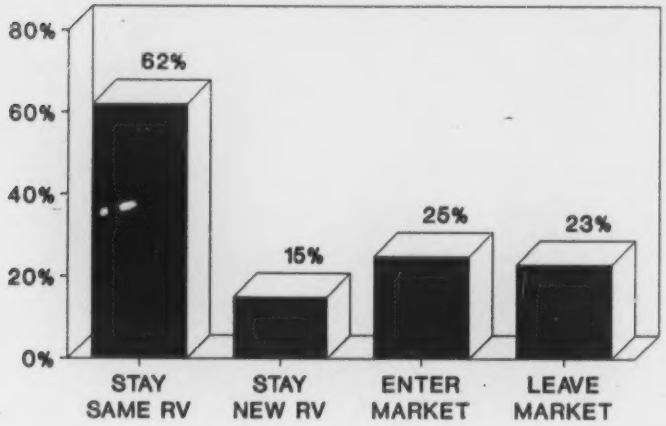


CHART 60

USE OF REGUALR VAN FOR OVERNIGHT CAMPING TRIPS

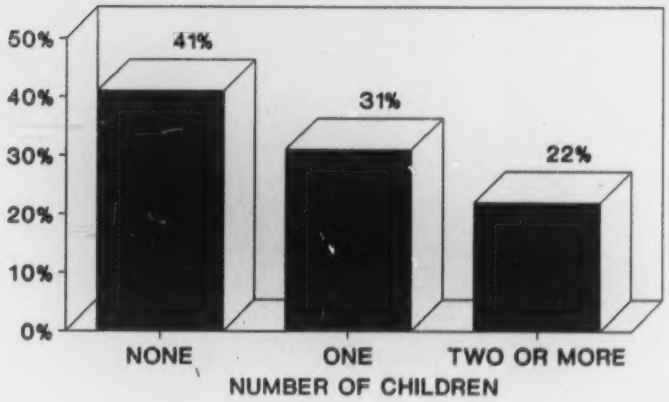


CHART 61
USE OF REGULAR VAN FOR OVERNIGHT CAMPING TRIPS

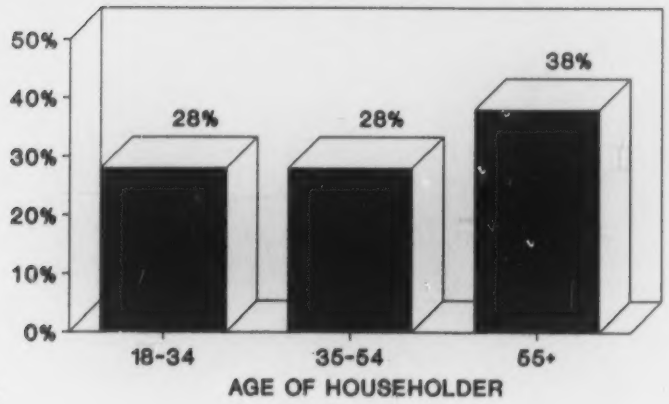


CHART 62
USE OF REGULAR VAN FOR OVERNIGHT CAMPING TRIPS

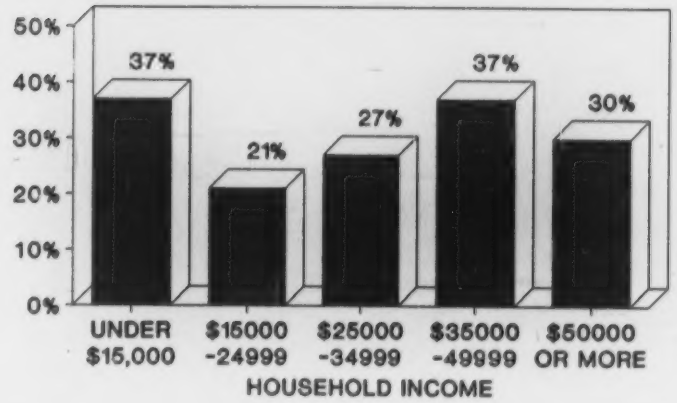


CHART 63
USE OF REGULAR VAN FOR OVERNIGHT CAMPING TRIPS

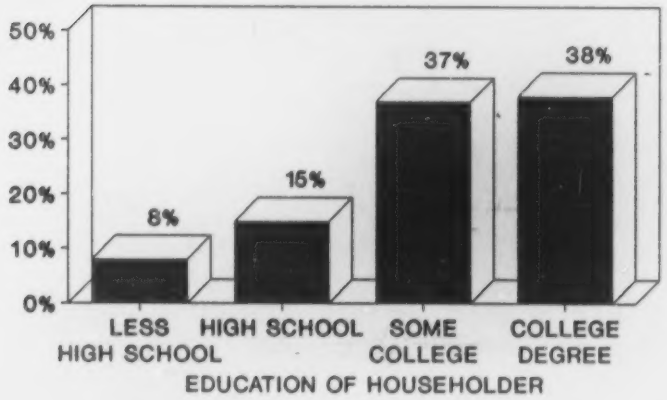
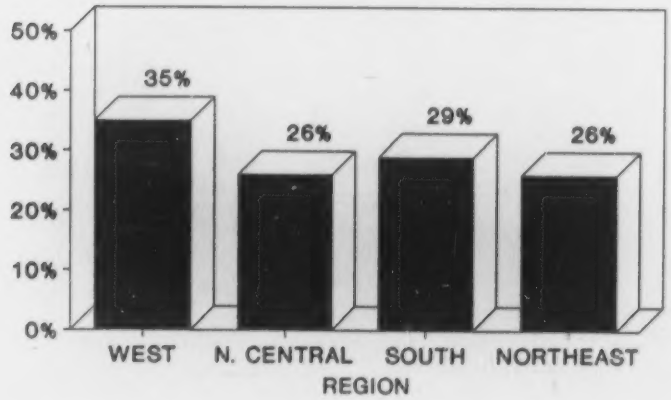


CHART 64
USE OF REGULAR VAN FOR OVERNIGHT CAMPING TRIPS



U7475-4.22-F #25

NATIONAL SURVEY OF HOME EQUITY LOANS

Richard T. Curtin
Director, Surveys of Consumers
Survey Research Center
The University of Michigan

Summary of Findings

A national survey was conducted by the Survey Research Center at The University of Michigan to investigate the use of home equity credit by American families. The survey was conducted from July to November of 1988, interviewing 2,510 households scientifically selected to represent all private households.

The survey found that 58% of all home owners had a first mortgage. In addition to first mortgages, 11% of all home owners had other loans secured by their home equity. The traditional second mortgages, which are loans for a fixed amount to be repaid on a fixed schedule, were held by 5% of all home owners. The more recently introduced home equity lines of credit, which allow users to borrow money at their discretion up to their approved credit limit, were held by 6% of all home owners.

Second mortgages and home equity lines of credit were more often held by home owners in the middle age ranges, higher income levels, and among residents of the Northeast. Among home owners aged 45 to 54 years old, 17% had a second mortgage or home equity line of credit; 23% of home owners with family incomes of $60,000 or more had a second mortgage or home equity line of credit; 20% of home owners living in the Northeast region had a second mortgage or home equity line of credit.

Home owners with home equity lines of credit had higher family incomes than those with second mortgages. The median family income for those with home equity lines of credit was $54,000, compared with $43,000 for those with second mortgages. Both these groups had higher median incomes than those with first mortgages ($38,000) or than all home owners ($30,000)

The amount of outstanding debt on home equity lines of credit was lower than on second mortgages. The median amount of outstanding debt on home equity lines of credit was $10,000, compared with $16,000 on second mortgages.

The median amount that families could borrow on their home equity line of credit was 32% of the net equity in their homes. The median amount of outstanding debt on home equity lines of credit was 33% of the maximum approved credit limit. The median outstanding debt on home equity credit lines amounted to 10% of the net equity in their homes.

Home equity lines of credit have been used by home owners to consolidate other debts as well as to make new outlays. Among all home equity credit line users, 30% used their credit

lines to repay other debts and 62% used their credit lines to make new outlays.

Significantly, not all home owners that have approved home equity lines of credit have borrowed money against them. Of all families with approved credit lines, 31% have not borrowed any money on their credit line. For some of these families, the planned use of the line of credit had not yet come. For others, the home equity line represents a precautionary step that would allow quick access to funds in case of emergency.

The most common use of home equity lines of credit was for home improvement expenditures (42%), followed by vehicle expenditures (24%), repayment of credit card debts (14%), personal and miscellaneous expenses (12%), educational expenses (11%), medical expenses (8%), investments in real estate (7%), business related expenses (5%), repayment of other bank loans (3%), and to make financial investments (3%).

The most common advantage of home equity lines of credit cited by owners is the convenience of obtaining money when needed, reported by 49%. The convenience of obtaining money was the single most distinguishing feature of home equity lines of credit when compared with second mortgages. Users of home equity credit lines were also aware of the dangers of debt overextension that accompanied the greater ease which they could borrow money. The potential for debt overextension was mentioned by 25% of all owners of home equity lines of credit.

Although the prevailing interest rates on home equity lines of credit were often cited as an advantage (20%), it was more frequently cited as a disadvantage (by 25%). The opposite result was true when owners were asked about the advantages and disadvantages of second mortgages. For second mortgages, the available interest rates were more frequently cited as an advantage (by 32%) than as a disadvantage ~~(15%).~~

The tax deductibility of interest charges on home equity lines of credit was cited by 29% of all owners, the second most common advantage cited. Indeed, 83% of all owners of home equity lines of credit said that they itemized deductions on their federal tax forms, and 86% of equity credit line holders that itemized said that the deduction was very important to them.

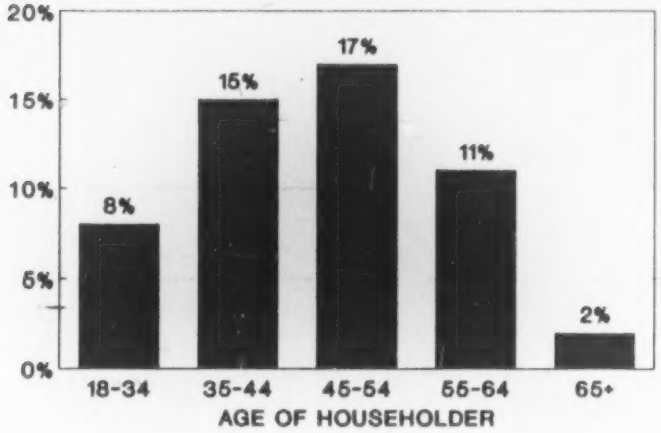
Home owners with second mortgages and home equity lines of credit were very aware of the possibility of foreclosure if they missed payments. Among all second mortgage holders, 84% mentioned that the worst consequence of their missing several payments could be losing their home. For families with home equity lines of credit, 84% cited foreclosure as the potential result of missed payments. Another 7% cited other legal actions, such as lawsuits, attachment of wages or other accounts at the financial institution.

When asked whether they received all the information they needed from the financial institution when they obtained their loan, 97% of all owners of home equity lines of credit and 87% of all holders of second mortgages responded that they did.

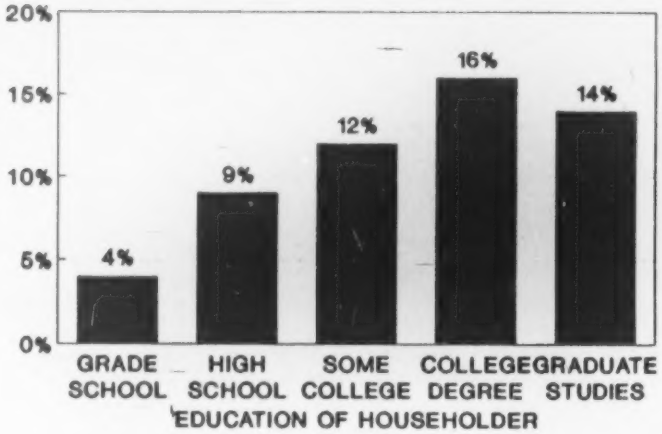
Although there was a very high level of awareness of the availability of second mortgages, most of the families that chose to obtain a home equity line of credit did not seriously consider obtaining a second mortgage instead. Among all home owners, 92% were aware of the availability of second mortgages, but only 18% of those with home equity credit lines actively considered obtaining a second mortgage instead.

CHART 1

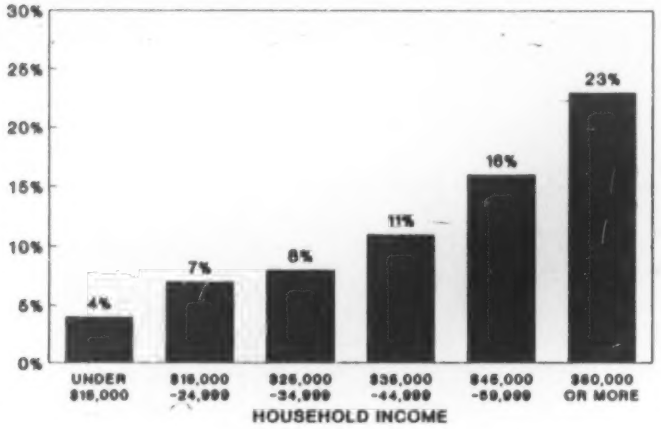
PROPORTION OF HOME OWNERS WITH A SECOND MORTGAGE OR EQUITY CREDIT LINE



PROPORTION OF HOME OWNERS WITH A SECOND MORTGAGE OR EQUITY CREDIT LINE



PROPORTION OF HOME OWNERS WITH A SECOND MORTGAGE OR EQUITY CREDIT LINE



PROPORTION OF HOME OWNERS WITH A SECOND MORTGAGE OR EQUITY CREDIT LINE

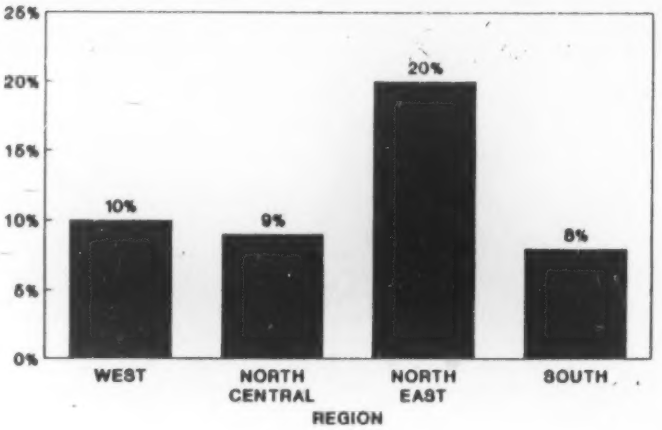


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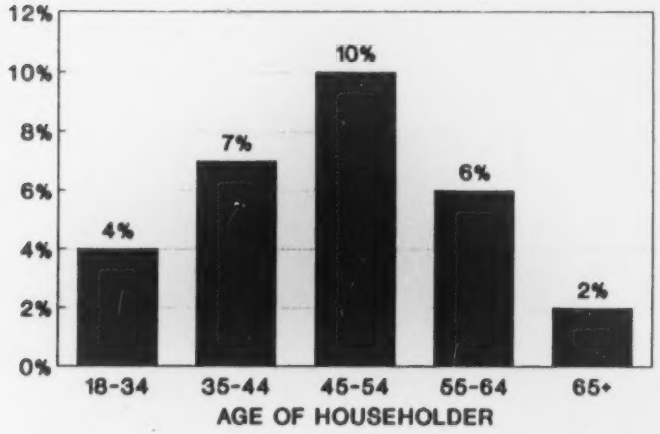
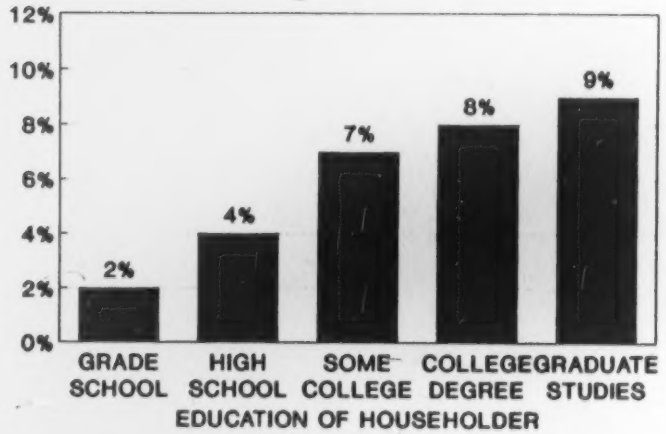
CHART 2

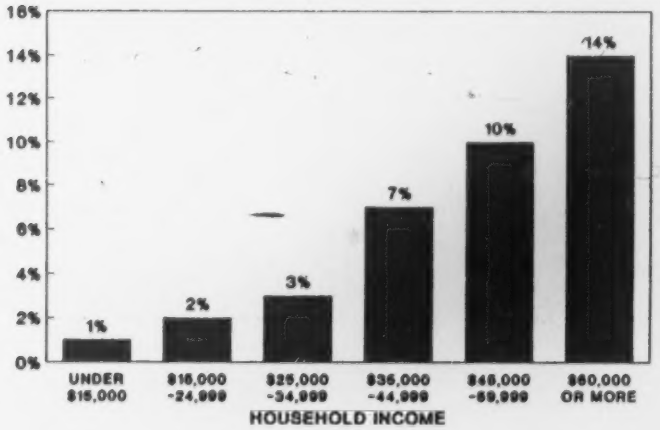
PROPORTION OF HOME OWNERS WITH A HOME EQUITY LINE OF CREDIT



PROPORTION OF HOME OWNERS WITH A HOME EQUITY LINE OF CREDIT



PROPORTION OF HOME OWNERS WITH A HOME EQUITY LINE OF CREDIT



PROPORTION OF HOME OWNERS WITH A HOME EQUITY LINE OF CREDIT

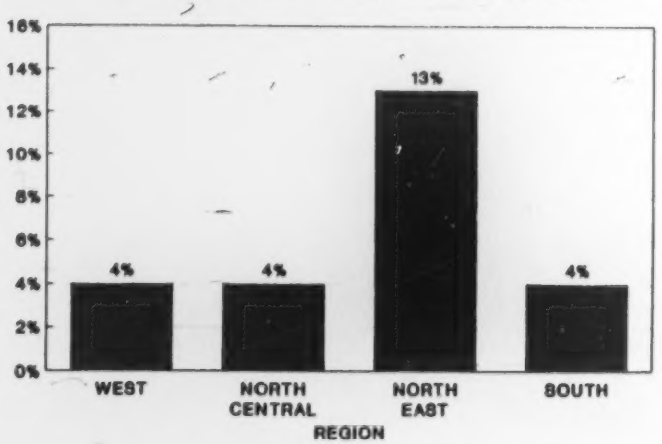
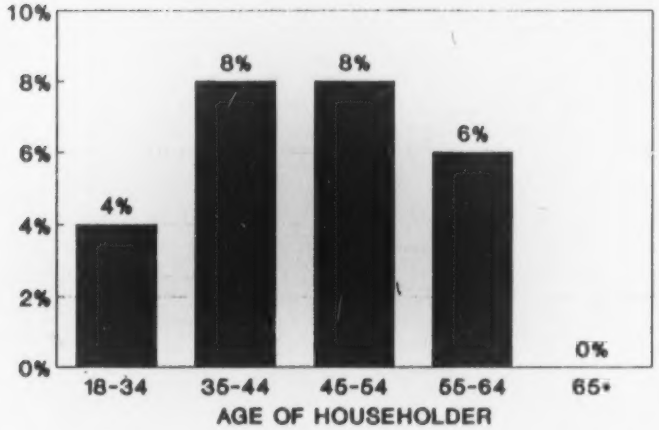
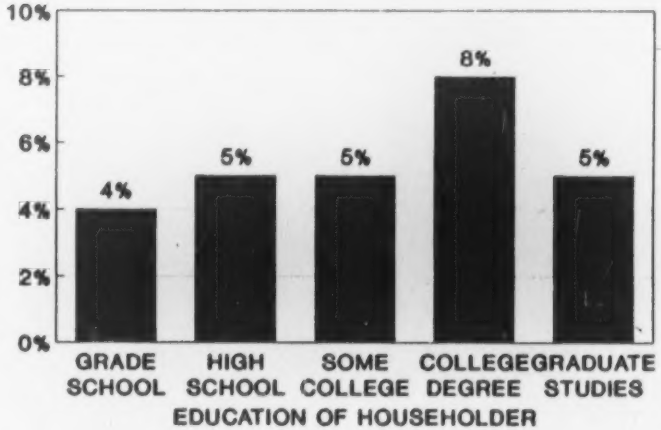


CHART 3

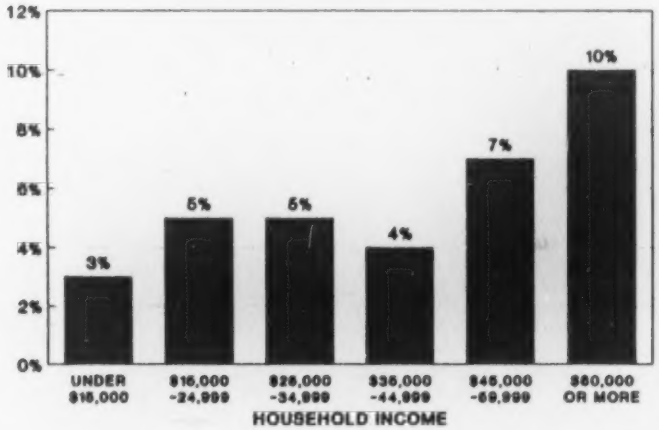
PROPORTION OF HOME OWNERS WITH A SECOND MORTGAGE



PROPORTION OF HOME OWNERS WITH A SECOND MORTGAGE



PROPORTION OF HOME OWNERS WITH A SECOND MORTGAGE



PROPORTION OF HOME OWNERS WITH A SECOND MORTGAGE

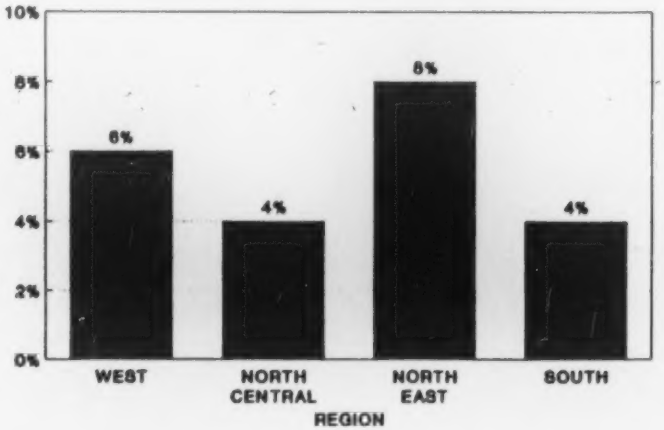
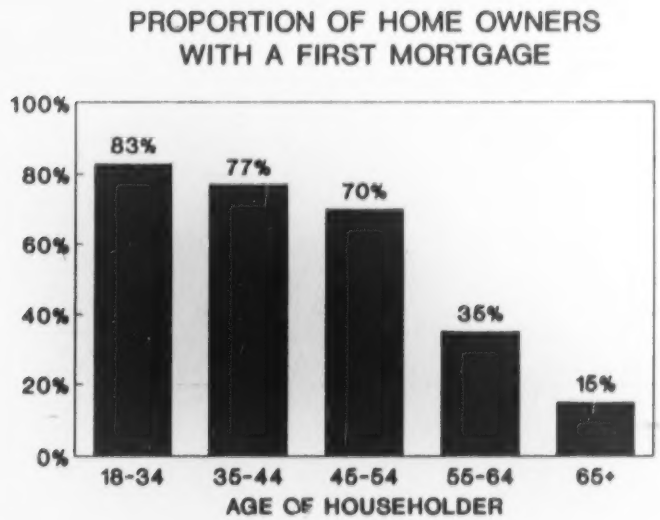
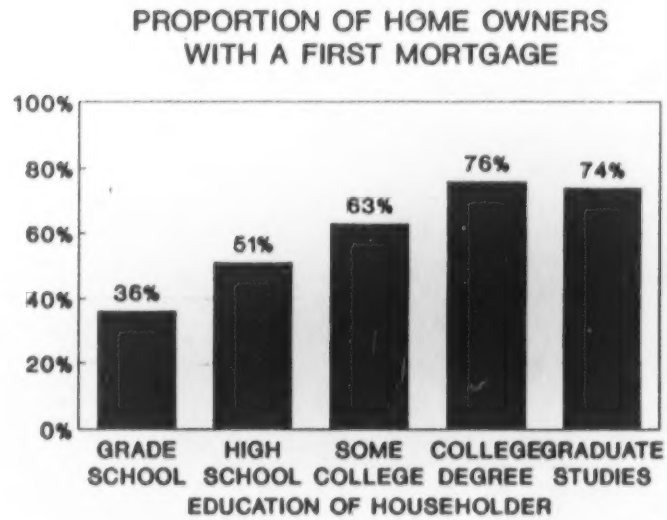
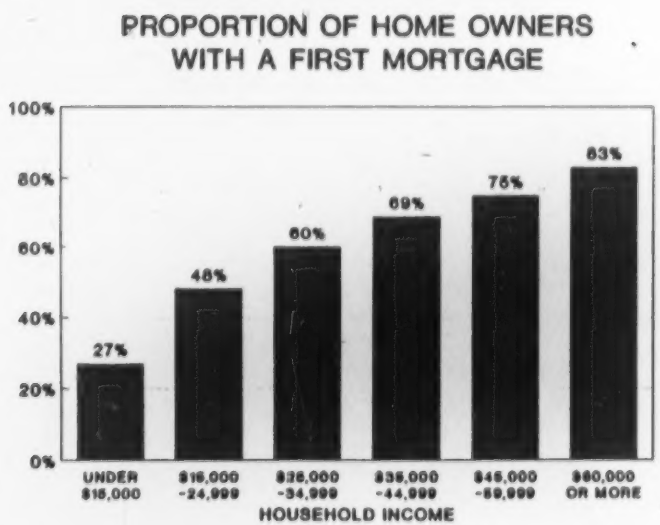


CHART 4


PROPORTION OF HOME OWNERS
WITH A FIRST MORTGAGE
100%
80%
60%
40%
20%
0%
83%
77%
70%
35%
15%
18-34
35-44
45-54
55-64
65+
AGE OF HOUSEHOLDER


PROPORTION OF HOME OWNERS
WITH A FIRST MORTGAGE
100%
80%
60%
40%
20%
0%
36%
51%
63%
76%
74%
GRADE SCHOOL
HIGH SCHOOL
SOME COLLEGE
COLLEGE DEGREE
GRADUATE STUDIES
EDUCATION OF HOUSEHOLDER


PROPORTION OF HOME OWNERS
WITH A FIRST MORTGAGE
100%
80%
60%
40%
20%
0%
27%
48%
60%
69%
75%
83%
UNDER $15,000
$15,000 -24,999
$25,000 -34,999
$35,000 -44,999
$45,000 -59,999
$60,000 OR MORE
HOUSEHOLD INCOME

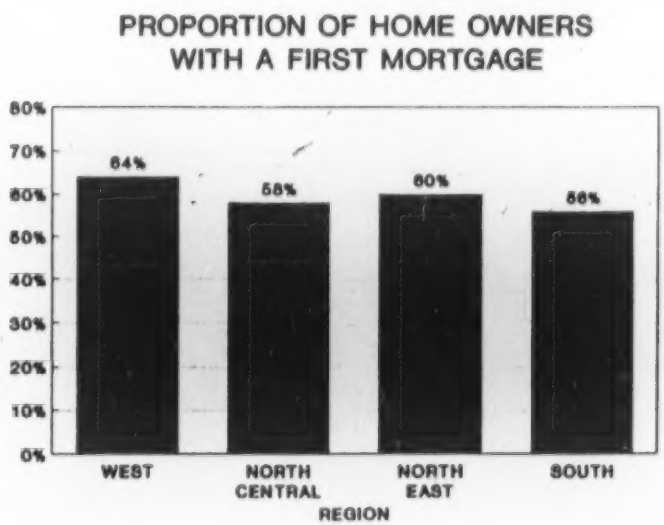
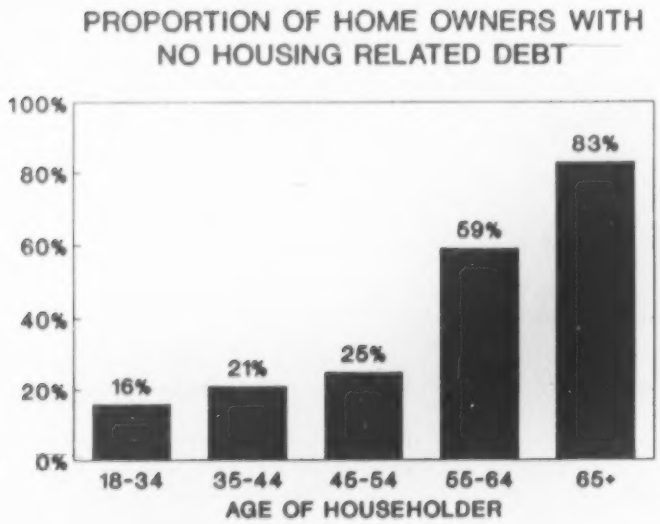
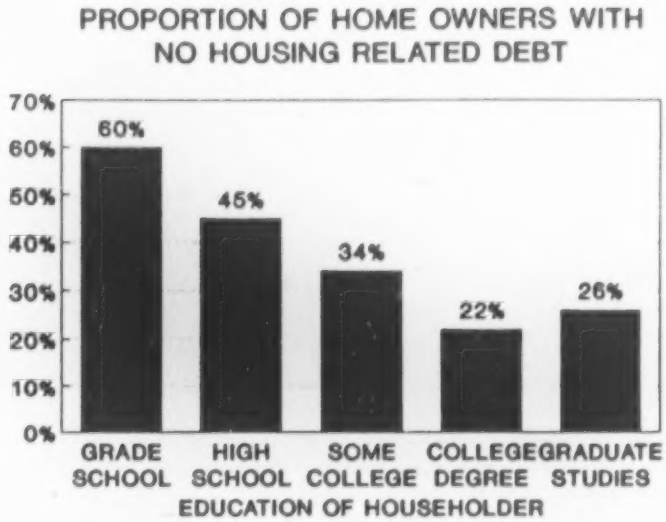
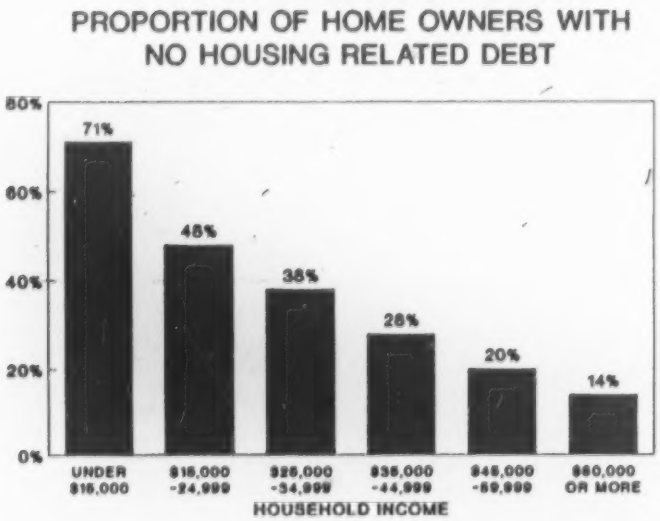

PROPORTION OF HOME OWNERS
WITH A FIRST MORTGAGE
80%
70%
60%
50%
40%
30%
20%
10%
0%
64%
58%
60%
56%
WEST
NORTH CENTRAL
NORTH EAST
SOUTH
REGION

CHART 5


PROPORTION OF HOME OWNERS WITH
NO HOUSING RELATED DEBT
100%
80%
60%
40%
20%
0%
16%
21%
25%
59%
83%
18-34
35-44
45-54
55-64
65+
AGE OF HOUSEHOLDER


PROPORTION OF HOME OWNERS WITH
NO HOUSING RELATED DEBT
70%
60%
50%
40%
30%
20%
10%
0%
60%
45%
34%
22%
26%
GRADE SCHOOL
HIGH SCHOOL
SOME COLLEGE
COLLEGE DEGREE
GRADUATE STUDIES
EDUCATION OF HOUSEHOLDER


PROPORTION OF HOME OWNERS WITH
NO HOUSING RELATED DEBT
80%
60%
40%
20%
0%
71%
48%
38%
28%
20%
14%
UNDER $15,000
$15,000 -24,999
$25,000 -34,999
$35,000 -44,999
$45,000 -59,999
$60,000 OR MORE
HOUSEHOLD INCOME

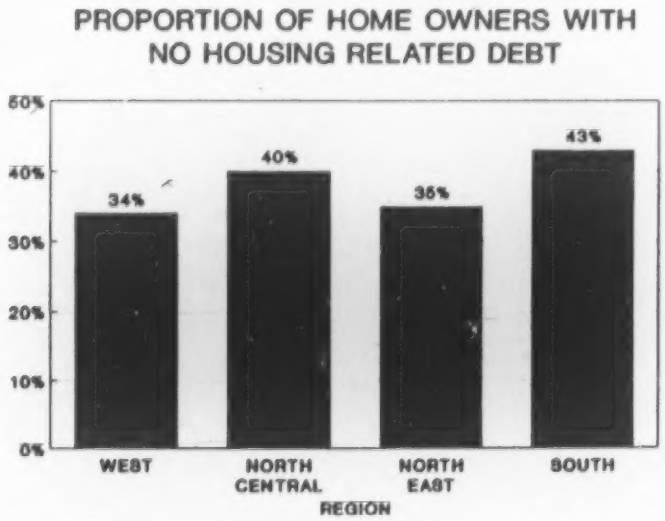
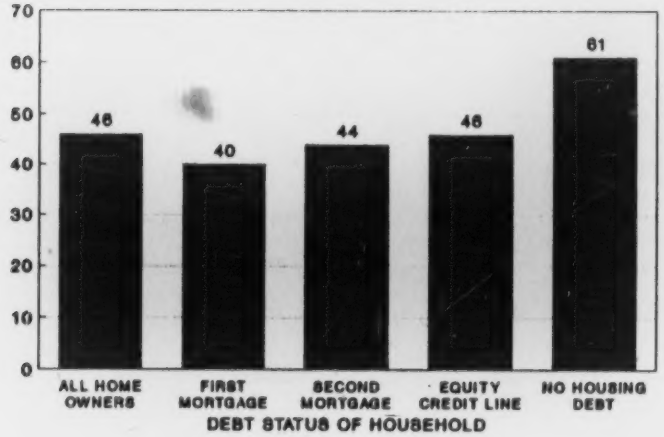
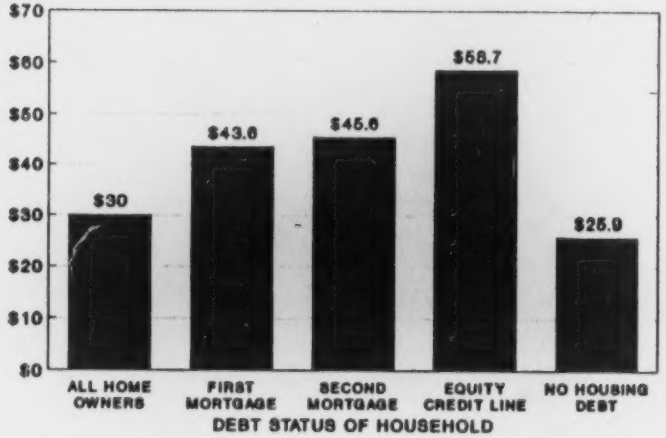

PROPORTION OF HOME OWNERS WITH
NO HOUSING RELATED DEBT
50%
40%
30%
20%
10%
0%
34%
40%
35%
43%
WEST
NORTH CENTRAL
NORTH EAST
SOUTH
REGION

CHART 6

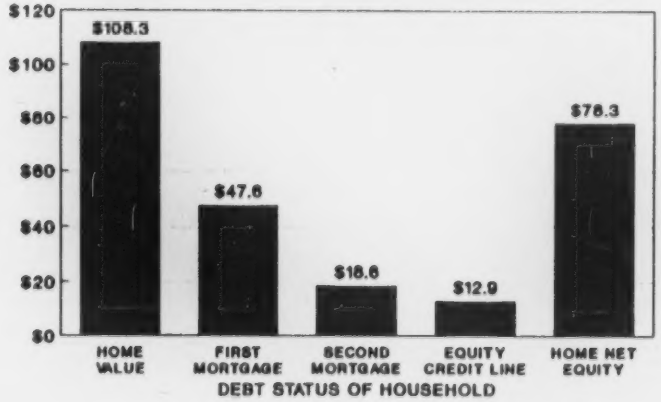
MEDIAN AGE OF HOME OWNERS
(Age in Years)



MEDIAN INCOME OF HOME OWNERS
(Thousands of dollars)



MEDIAN HOME VALUE AND AMOUNT OF OUTSTANDING HOUSING RELATED DEBT
(Thousands of Dollars)



HOME EQUITY LINE OF CREDIT MAXIMUM CREDIT LINE, OUTSTANDING DEBT, AND NET HOME EQUITY (MEDIANS)

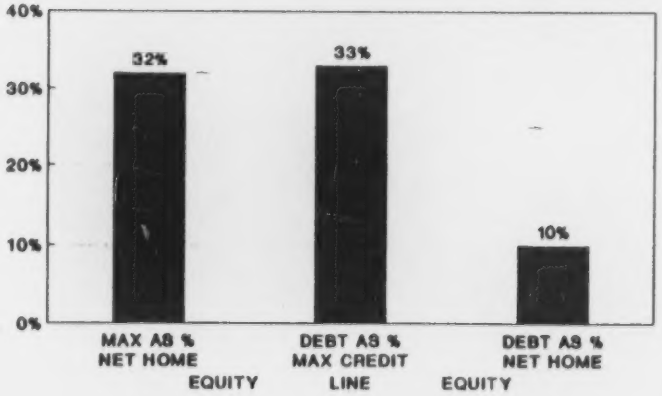
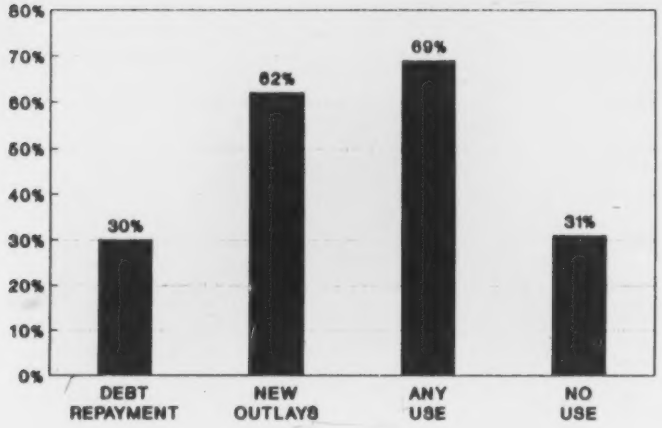
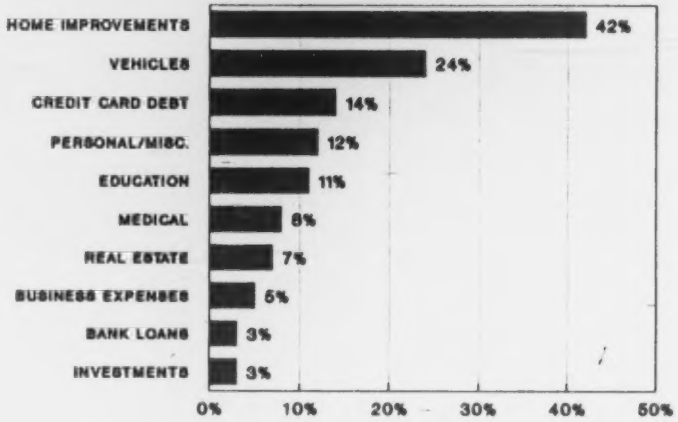


CHART 7

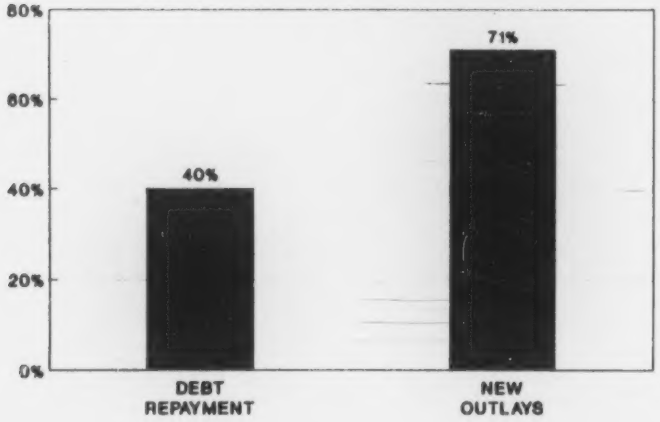
HOW HOUSEHOLDS USED THEIR HOME EQUITY LINE OF CREDIT



HOW HOUSEHOLDS USE THEIR HOME EQUITY LINES OF CREDIT



HOW HOUSEHOLDS USED THEIR SECOND MORTGAGE



HOW HOUSEHOLDS USE THEIR SECOND MORTGAGES

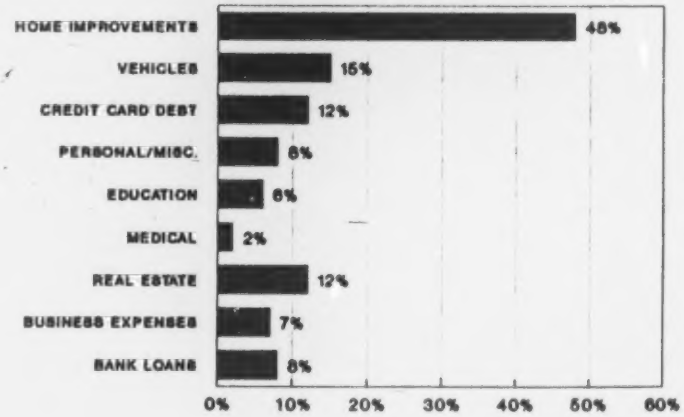
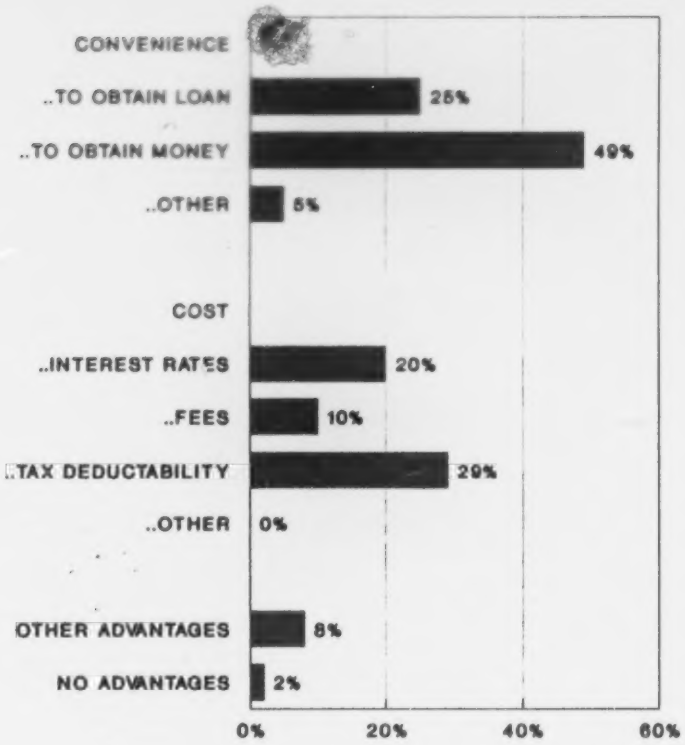


CHART 8

REPORTED ADVANTAGES OF HOME EQUITY LINES OF CREDIT



REPORTED DISADVANTAGES OF HOME EQUITY LINES OF CREDIT

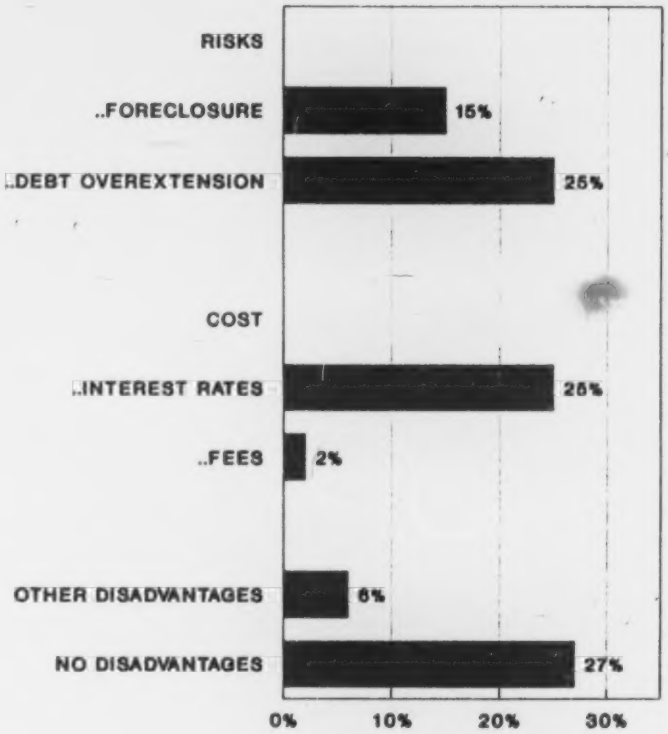
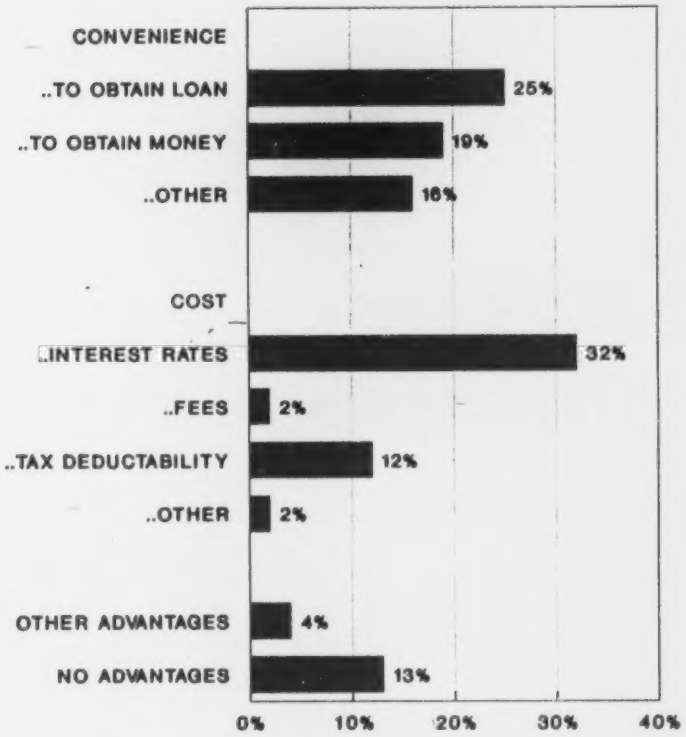


CHART 9

REPORTED ADVANTAGES OF SECOND MORTGAGES



REPORTED DISADVANTAGES OF SECOND MORTGAGES

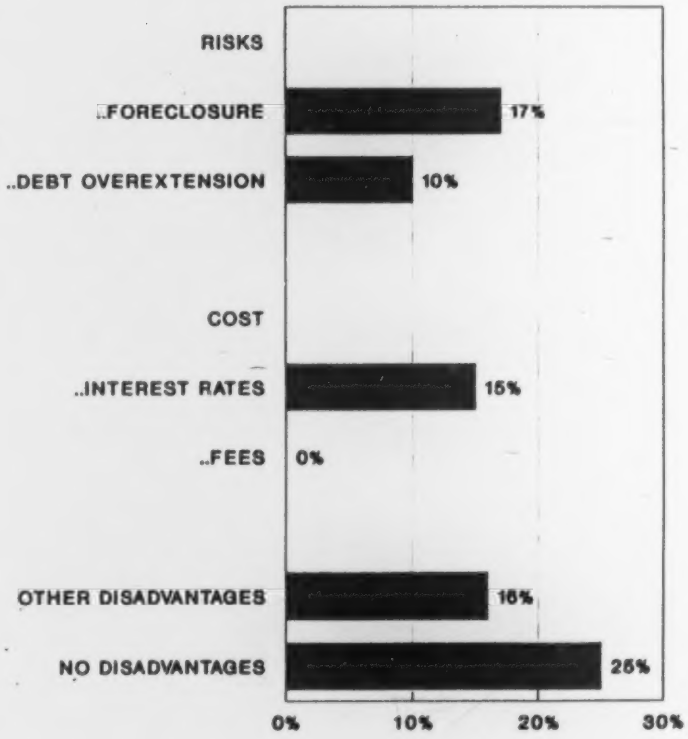
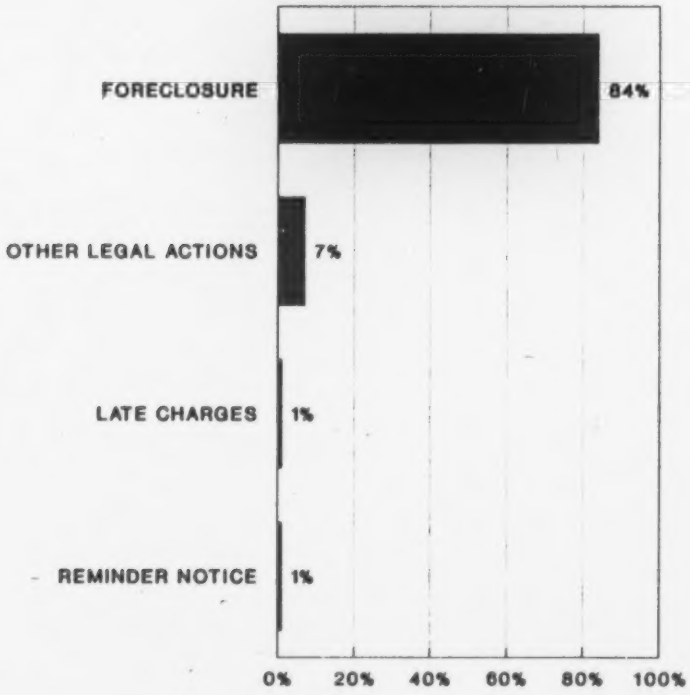


CHART 10

WORST CONSEQUENCES OF MISSING SEVERAL PAYMENTS ON HOME EQUITY LINE OF CREDIT



WORST CONSEQUENCES OF MISSING SEVERAL PAYMENTS ON SECOND MORTGAGE

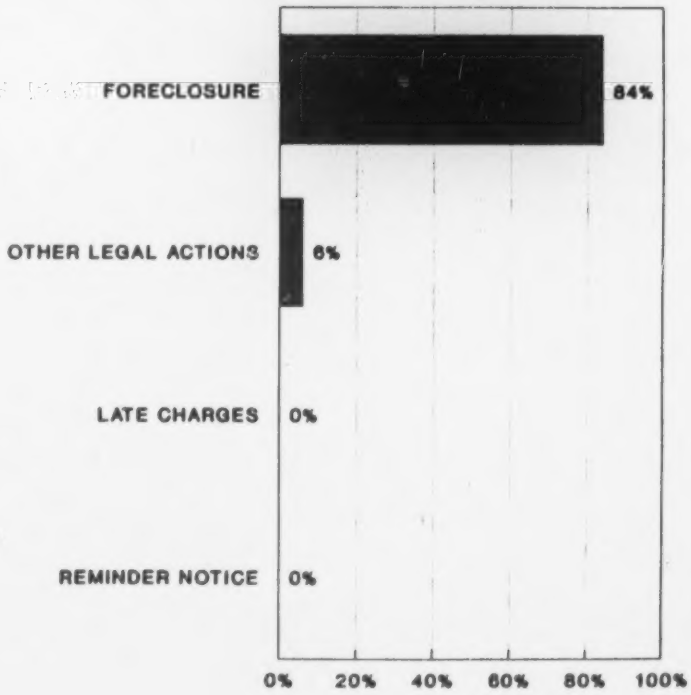
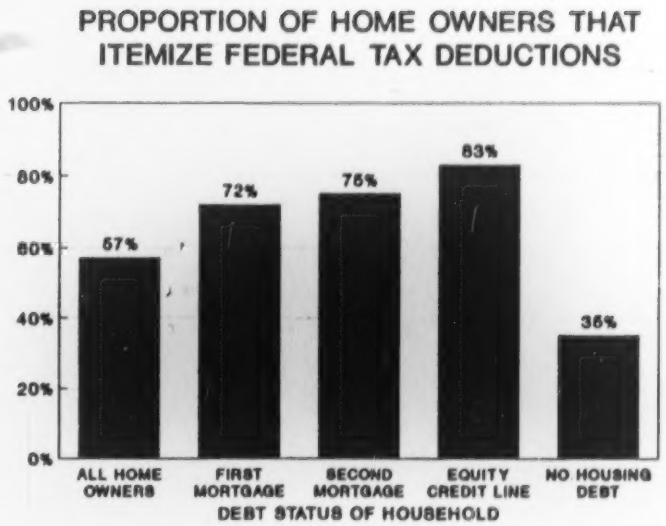


CHART 11


PROPORTION OF HOME OWNERS THAT ITEMIZE FEDERAL TAX DEDUCTIONS
100%
80%
60%
40%
20%
0%
57%
72%
75%
83%
35%
ALL HOME OWNERS
FIRST MORTGAGE
SECOND MORTGAGE
EQUITY CREDIT LINE
NO HOUSING DEBT
DEBT STATUS OF HOUSEHOLD

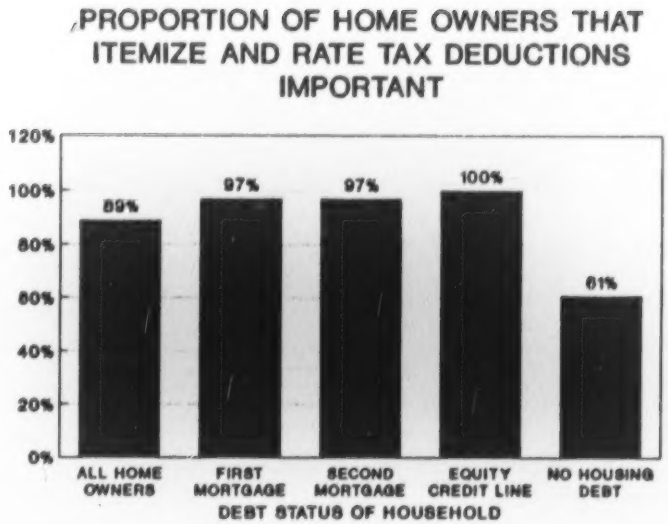

PROPORTION OF HOME OWNERS THAT ITEMIZE AND RATE TAX DEDUCTIONS IMPORTANT
120%
100%
80%
60%
40%
20%
0%
89%
97%
97%
100%
61%
ALL HOME OWNERS
FIRST MORTGAGE
SECOND MORTGAGE
EQUITY CREDIT LINE
NO HOUSING DEBT
DEBT STATUS OF HOUSEHOLD

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TABLE 1

HOUSING RELATED DEBT AMONG U.S. HOUSEHOLDS
(All Home Owners, July – November 1988)

	Debt Status of Home Owners				
	No Debt	First Mortgage	Second Mortgage	Home Equity Line of Credit	2nd Mortgage or Home Equity Line of Credit
All Home Owners	39%	58%	5%	6%	11%
Age					
18–34	16	83	4	4	8
35–44	21	77	8	7	15
45–54	25	70	8	10	17
55–64	59	35	6	6	11
65 or older	83	15	*	2	2
Education					
Less than high school	60	36	4	2	4
High school	45	51	5	4	9
Some college	34	63	5	7	12
College graduate	22	76	8	8	16
Graduate studies	26	74	5	9	14
Family Income					
Under $15,000	71	27	3	1	4
$15,000–24,999	48	48	5	2	7
$25,000–34,999	38	60	5	3	8
$35,000–44,999	28	69	4	7	11
$45,000–59,999	20	75	7	10	16
$60,000 or more	14	83	10	14	23
Region					
West	34	64	6	4	10
North Central	40	58	4	4	9
Northeast	35	60	8	13	20
South	43	56	4	4	8

* = Less than one-half of a percent.

SOURCE: Survey Research Center, The University of Michigan

TABLE 2

AGE AND FAMILY INCOME BY DEBT STATUS OF U.S. HOUSEHOLDS
(July – November 1988)

	Age		Income	
	Mean	Median	Mean	Median
All Families	45	41	$31.900	$25.000
All Home owners	48	46	$36.610	$30,000
Debt Status: Has ...				
First Mortgage	42	40	$43,624	$38,000
Second Mortgage	45	44	$45,550	$43,000
Home Equity Line of Credit	46	46	$58,718	$54,000
Second Mortgage or Home Equity line of Credit	45	45	$51,796	$48,000
No Home Related Debt	58	61	$25,934	$20,000

SOURCE: Survey Research Center, The University of Michigan.

TABLE 3

MARKET VALUE OF HOMES AND AMOUNT OF OUTSTANDING DEBT
(All Home Owners, July – November, 1988)

	Proportion with Debt Outstanding	Dollar Values	
		Mean	Median
Home Value	–	$108,301	$72,500
First Mortgage	58%	$47,607	$35,000
Second Mortgage	5%	$18,582	$16,000
Home Equity Line of Credit[a]	4%	$12,862	$10,000
Home Net Equity[b]	–	$78,341	$48,000

[a]Excludes families with no outstanding balances.

[b]Defined as home value minus outstanding balances on first mortgage, second mortgage, and home equity line of credit.

SOURCE: Survey Research Center, The University of Michigan

TABLE 4

HOME EQUITY LINE OF CREDIT, MAXIMUM LIMITS AND AMOUNT USED
(All Owners, July – November, 1988)

	Dollar Values	
	Mean	Median
Home equity credit line	$54,170	$30,000
Credit line as a proportion of net home equity[a]	39%	32%
Debt outstanding as a proportion of credit line[b]	42%	33%
Debt outstanding as a proportion of net home equity[ab]	14%	10%

[a]Defined as home value minus outstanding balances on first and second mortgage.

[b]Excludes families with no outstanding balance on their home equity line of credit.

SOURCE: Survey Research Center, The University of Michigan

TABLE 5

USES OF SECOND MORTGAGES AND HOME EQUITY LINES OF CREDIT
(All Owners, July – November, 1988)

Proportion of Households that Used Their Second Mortgage or Home Equity Line of Credit for ...	Used for Debt Repayments		Used for New Outlays		Total	
	Second Mortgage	Home Equity Line of Credit	Second Mortgage	Home Equity Line of Credit	Second Mortgage	Home Equity Line of Credit
Home Improvements	6%	6%	42%	40%	48%	42%
Vehicles	11	14	6	16	15	24
Credit Card Debt	12	14	NA	NA	12	14
Personal/Misc.	5	5	3	10	8	12
Education	4	2	2	9	6	11
Medical	2	2	*	8	2	8
Real Estate	NA	NA	12	7	12	7
Business Expenses	NA	NA	7	5	7	5
Bank Loans	8	3	NA	NA	8	3
Financial Investments	NA	NA	*	3	*	3
All Uses	40	30	71	62	100	69

* = Less than one-half of a percent. NA = not applicable.

SOURCE: Survey Research Center, The University of Michigan

TABLE 6

ADVANTAGES AND DISADVANTAGES OF SECOND MORTGAGES AND HOME EQUITY LINES OF CREDIT
(All Families with Type of Debt Indicated, July – November, 1988)

	Type of Debt	
	Second Mortgage	Home Equity Line of Credit
ADVANTAGES		
Convenience	42%	79%
...To Obtain Loan	25	25
...To Obtain Money	1	49
...Other	16	5
Cost	48	59
...Interest Rate	32	20
...Fees	2	10
...Tax Deductibility	12	29
...Other	2	*
Other Advantages	4	8
No Special Advantage	13	2
Don't Know	9	5
NA	7	*
Total	a	a
DISADVANTAGES		
Risks	27%	39%
...Foreclosure	17	15
...Debt overextension	10	25
Costs	15	27
...Interest Rates	15	25
...Fees	*	2
Other disadvantages	16	6
No Special Disadvantages	25	27
Don't Know	10	10
NA	11	2
Total	a	a

[a]Totals add to more than 100% due to multiple mentions.
* = Less than one-half of a percent.
SOURCE: Survey Research Center, The University of Michigan

TABLE 7

AWARENESS OF CONSEQUENCES OF MISSING REPAYMENTS ON LOANS
(All Families with Type of Debt Indicated, July – November, 1988)

	Type of Debt	
	Second Mortgage	Home Equity Line of Credit
Worst Consequence		
Foreclosure	84	84
Other Legal Actions[a]	6	7
Late Charges	*	1
Reminder Notices only	*	1
Other actions	2	3
Don't Know	4	1
NA	4	3
Total	100%	100%

[a]Includes: lawsuit, attach pay, deduct from other accounts, and revoke loan.

* = Less than one-half of a percent.

SOURCE: Survey Research Center, The University of Michigan.

TABLE 8

HOME OWNERS THAT ITEMIZE FEDERAL INCOME TAX DEDUCTIONS
(All Home Owners, July – November, 1988)

	Percent that itemize deductions	Percent of itemizers that rate deductions important
All Home owners	57	89
Debt Status: Has ...		
First Mortgage	72	97
Second Mortgage	75	97
Home Equity Line of Credit	83	100
Second Mortgage or Home Equity line of Credit	78	99
No Home Related Debt	35	61

SOURCE: Survey Research Center, The University of Michigan.

TABLE 9

WHETHER BORROWERS RECEIVED ALL NEEDED INFORMATION ON LOANS AND WHETHER CONSIDERED ALTERNATIVE TO TYPE OF LOAN OBTAINED
(All Home Owners, July – November, 1988)

	Percent That Received All Needed Information When Obtained Loan	Percent That Considered Second Mortgage/Home Equity Line of Credit Instead of Loan Obtained
Debt Status: Has ...		
Second Mortgage	87	15
Home Equity Line of Credit	97	18

SOURCE: Survey Research Center, The University of Michigan.

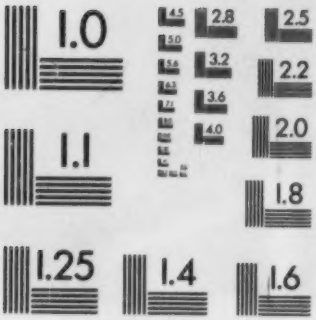
TABLE 10

AWARENESS OF AVAILABILITY OF SECOND MORTGAGES AND HOME EQUITY LINES OF CREDIT
(All Home Owners, July – November 1988)

	Aware of Availability of ...	
	Second Mortgage	Home Equity Line of Credit
All Home Owners	92%	75%
Age		
18–34	94	76
35–44	94	82
45–54	92	83
55–64	91	70
65 or older	86	61
Education		
Less than high school	82	52
High school	90	68
Some college	96	82
College graduate	96	89
Graduate studies	98	91
Family Income		
Under $15,000	85	55
$15,000–24,999	92	67
$25,000–34,999	93	79
$35,000–44,999	94	83
$45,000–59,999	96	85
$60,000 or more	97	90
Region		
West	95	81
North Central	91	76
Northeast	94	83
South	90	66

SOURCE: Survey Research Center, The University of Michigan.

MICROCOPY RESOLUTION TEST CHART
NBS - 1010a
(ANSI and ISO TEST CHART No. 2)



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